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Wool DURING WORLD WAR II

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To supplement the studies of major programs a series of monographs has been outlined to present in greater detail the wartime changes in various sectors of agriculture. These supplementary accounts are being issued as War Records Monographs either by the Bureau of Agricultural Economics or by other agencies in this Department.

No. 1 - Farm Machinery and Equipment,
by Erling Hole. 22 p. April 1946.

No. 2 - Soil Conservation During the War,
by George W. Collier, 25 p. March 1946.

No. 3 - Sugar During World War II,
by Roy A. Ballinger. 33 p. June 1946.

No. 4 - War Food Order 135, Veterans' Preference
For New Farm Machinery and Equipment,
by F. M. Johnson. 15 p. March 1947.

No. 5 - Acquisition and Use of Land for Military and
War Production Purposes, World War II,
by Alvin T. M. Lee. 115 p. August 1947.

No. 6 - Fats and Oils in World War II: Production
and Price-supporting Programs,
by Robert M. Walsh. 30 p. October 1947.

No. 7 - Wool During World War II,
by John W. Klein. 104 p. May 1948.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

May 1948

WOOL DURING WORLD WAR II

by

John W. Klein*

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* Mrs. Florence M. Hamilton assisted in preparing this report.

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INTRODUCTORY STATEMENT

Governmental action regarding problems arising in connection with wool and wool manufactures during the war is the chief concern of this report. But these problems are not disassociated from the more general problems then faced by our Nation. The Nation's entire economy underwent considerable necessary adjustment between 1939 and 1946. Most of the governmental actions taken in regard to wool and wool manufactures had counterparts elsewhere in the economy. The wool industry relies on foreign sources for much of its raw-material supplies. A vast number of wool uniforms are needed in fighting a war. The products of wool have not been standardized. In themselves these conditions are not unique to this industry. The situation is unique when these and many other distinctions are combined in one industry.

It was primarily because military requirements for wool textiles are huge that wartime control of the industry was essential. Allocation of output, special efforts to increase the supplies of the raw-materials, and control of the prices were necessary. In general, the efforts of the Government were effective in making these adjustments. Our military forces were fully equipped without sacrifice to essential civilian needs, except perhaps for a short time in 1946. The Nation was fortunate in not having its supply lines severed by enemy action. Imports were stimulated by Government action so well that, at all times after our entry into the war, the visible supply of wool was large enough to meet mill requirements for a year in advance. Successes in the field of price were more moderate. During a period when prices generally were rising rapidly, the farm price of wool, through support operations, were kept from declining, but large wool stocks were accumulated in the process. Substantial price increases for wool fabric and wool apparel were permitted by the Office of Price Administration but these increases were rather moderate compared with the rises that occurred in the prices of other textiles during this war, or with the rise in the price of wool manufactures during World War I.

In the body of this report, Government actions regarding wool are discussed on a functional or agency basis. For example, all the programs relating to supplies of wool are discussed together. Such treatment appears to be essential to a general understanding of the subject matter but for a clearer insight into the timing of these changes a chronological treatment would be preferable. Therefore, a chronology has been prepared. It is divided into five periods and each period is preceded by a summary statement of conditions that prevailed within that period. Each of these periods represents essentially

a different stage in the prosecution of the war. A study of this chronology will assist in an understanding of the wartime developments within the wool industry.

THE WOOL STTUATION IN 1939

The wool industry is usually considered to be in a more favorable position relative to agriculture generally during wartime than in peacetime, because of the critical nature of its product and the huge military demand for wool textiles. This was not true of the wool-growing industry during World War II. Although it was not in a favored position in 1939, it was apparently better off then than during most of the period 1940-46, in relation to alternative enterprises.

Domestic wool production had recovered in 1939 from the effects of the droughts of earlier years. In 1939 the industry had the fourth largest clip on record. Farm prices for wool were only a little above the generally low level which prevailed during the 1930's but the price outlook appeared to be favorable. There were no surplus wool stocks and an enlarged demand for apparel wool was in prospect. Total cash farm income from wool amounted to 81 million dollars in 1939, which was substantially above the 69 million dollar income of the previous year but was only 11 percent higher than the average cash farm income from wool during the years 1930-38.

A better indication of the grower's situation is afforded when sales of both lamb and wool, joint products of the enterprise, are considered in real terms. Total farm income to wool producers (cash income from sheep, lambs, and wool, exclusive of feeder sales which would be duplicated in fed-lamb sales) was 13 percent higher in 1939 than in the previous year and 22 percent above the 1930-38 average, after adjustment for changes in prices paid by farmers for production and living expenses.

The Government had given assistance to agriculture during the 1930's. Few of the governmental programs had included lamb or wool, however, because the prices for them had recovered fairly rapidly from their depression depths and because wool already enjoyed the benefits of a tariff. Wool growers did participate, during 1938 and 1939, in a Commodity Credit Corporation loan program that was made available in accordance with the provisions of the Agriculture Adjustment Act of 1938. Primarily because of the business recession of 1937, there had been a decisive drop in wool requirements by mills during 1937-38. The farm price of wool fell 44 percent in the 12 months ending with April 1938. As it was evident that the decline was

due to a temporary lull in demand, the CCC loan program on wool was inaugurated to enable growers to retain their wool until the demand improved. Ten-month non-recourse loans were offered to producers. The loans were at about 75 percent of parity and carried 4 percent interest, in addition to storage charges. During 1938 about 83 million pounds of wool were put under loan; on this the Government advanced 15 million dollars. Because of increased purchases by mills and the loan program, prices for wool advanced above the loan rate in late 1938, and most loans were later redeemed by the growers. Loans were again made available in 1939, at the same loan rate as in 1938, but, as wool prices were higher than in the preceding year, not many producers took advantage of the program.

Tariffs on wool and wool manufactures have been in effect almost continuously since 1816. Under the Smoot-Hawley Tariff Act of 1930 the duty on wool grades finer than 44's was 34 cents a pound, clean basis, (roughly, 14 cents domestic grease basis). This was 3 cents per clean pound higher than the rate in effect during the 1920's and probably higher than any previous duty. Relatively high tariffs also were in effect on wool manufactures. The tariff was based on the fact that wool growers and wool fabricators generally have higher labor and other production costs than those of the foreign countries with which they compete, and the maintenance of minimum production and processing facilities in this country has been considered desirable, especially in view of the possibility of war.

The tariffs on wool and wool manufactures have served to retain the domestic wool-textile market for domestic manufacturers. High costs of production and other factors have restricted our wool-textile industry to the domestic market. Exports of domestic wool were also small during the period between the wars because domestic prices for wool were relatively higher than export prices. Average annual imports of wool manufactures for 1923-1939 were only 13 million pounds and were declining during the period. A large part of the imports consisted of specialty fabrics and felt-hat bodies. Annual exports during this period averaged only 1 million pounds of raw wool, wastes and noils, and another 1 million pounds for all wool manufactures. This contrasts with domestic production of woven wool goods of 381 million pounds in 1937 and 366 million pounds in 1939. Wool imports were relatively small during the 1930's, but were variable, ranging from 17 million pounds in 1932 to 150 million in 1937. In 1939, they amounted to 99 million pounds, not very different from the 1935-39 average of 90 million pounds.

Because of the competition of imported wools, changes in the prices for domestic wool have approximated price changes in foreign

markets. World wool prices fluctuate widely from year to year and have led to corresponding changes in domestic wool prices. The average price for Australian fine wools at London for January through July 1939 was 47 cents, scoured basis, which was 13 cents lower than the previous 5-year average. The corresponding price for fine combing territory wools at Boston was 71 cents for the same period in 1939, which was also 13 cents below the previous 5-year average. Price comparisons for other grades and other periods reveal a close relation between foreign and domestic wool prices, though the relation is not so exact as the above comparison might indicate.

The domestic demand for apparel wool by mills was comparatively strong throughout 1939. Following the 1937 business recession, mill consumption reached a very low level during the first half of 1938, but it increased sharply in the last half of that year, and continued to increase in 1939. For the year 1939 as a whole, mill consumption totaled 293 million pounds, scoured basis, 33 percent higher than mill consumption in 1938 and 23 percent higher than the 1930-38 average. The improved demand situation resulted from improvement in both business activity and consumers' income. As was true during the entire period since 1923, most of the wool used by mills was of domestic origin.

Carry-over stocks of apparel wool on hand April 1, 1940, were rather small. Stocks in the hands of dealers and mills on that date totaled 167 million pounds (grease basis) and were equivalent to about an 18-week supply at the then current rate of consumption. During 1935-39, year-end stocks in the hands of dealers and mills had averaged a 21-week supply. The small stocks of wool in the United States placed the wool-textile industry in a vulnerable position, which was accentuated by conditions abroad. The carry-over of wool into the 1939-40 season, in the principle exporting countries, had been smaller than average and although the stocks in importing countries were generally large, the wool-manufacturing activity in these countries was high in the early months of the war in Europe.

In October 1939 the British government took over the control of all wool in Australia and New Zealand and in August 1940 the control was extended to South Africa. This action placed approximately three-fourths of the available foreign supplies of apparel wool under the control of the British government and an even greater proportion of the fine wools that are normally used in the United States.

MAJOR WOOL PROBLEMS ARISING OUT OF THE WAR

When the Nation in 1940 turned from neutrality to opposition toward aggressor nations, several basic economic adjustments were required to establish it on a war footing. Our previous experience in World War I and the contemporary experience of other nations at war

were valuable but they furnished merely a foundation on which to build. 1/ Considerable judgment and foresight were required in determining what changes were needed and how these changes might best be accomplished. It was inevitable that in effecting rapid adjustments, inequalities and disequilibriums would arise.

The Demand Problem

In regard to apparel wools, the necessity to meet military requirements and essential requirements for wool textiles was the most pressing problem. Modern military forces must have millions of specially designed uniforms and our military leaders insisted that many of these be made entirely of wool. 2/ Estimates made by the Tariff Commission indicated that the initial issue per man in the Army, on a peacetime or training basis, amounted to 75 pounds (scoured basis) a year. On a combat basis the minimum quantity required was practically 100 pounds. After the first year, annual maintenance requirements, with only limited additions to depot reserves, were placed at 40 pounds. 3/ It is interesting to compare the size of these military requirements with annual peacetime per capita consumption of raw wool. During 1935-39, wool consumption per capita averaged only 2.2 pounds (scoured basis). The Tariff Commission report estimated that, with an Army of 3,750,000 men in 1942 and the addition of another 2 million men in 1943, the original requirements for the Army alone, without making any provision for the equipment of additional replacements, would absorb all our 1942 production of domestic wool and would exceed the probable 1943 production by 100 percent. 4/

Military requirements were in addition to civilian demands which were currently large and expected to be larger because of anticipated increases in consumers' incomes. The probable total demand appeared to be beyond the capacity of textile mills and they exceeded apparent available wool supplies. Some method of allocation that would reduce total consumption and give priority to military and essential civilian needs was required.

1/ For a discussion of the experience in World War I, see Thomas J. Mayock, The Government and Wool, 1917-20 (U.S. Bureau of Agricultural Economics, Agricultural History Series No. 6), 38 p. (Washington, August 1943).

2/ For more detail see Colonel Kennedy's statement in U.S. Congress, 79th, 1st Sess., Senate, Hearings on Production, Marketing and Transportation of Wool, Part 6, page 914.

3/ United States Tariff Commission, United States Wools, Mar. 10, 1942.

4/ At the end of 1942 the United States actually had 4.0 million men under arms. This number increased until 1945, when there were 11.4 million men in the military forces of the United States.

A complete rationing program for wool manufactures seemed to many to be the obvious solution but this would have necessitated extensive and far-reaching controls. Allocation of supplies would be required at the stage when raw wool first enters the fabrication process, and at the top and yarn stage. The production of wool textiles at that point would be allocated to garment makers and there would be control of their sales through wholesale and retail channels until the ultimate consumers were reached. In addition, control would have to be exercised at each stage over the various kinds of products made. In Great Britain, Canada, Australia, and Germany, extensive rationing plans of this sort were used during the war. In the United States the mechanics of a clothes rationing plan for consumers was explored and outlined in considerable detail by the Office of Price Administration, but it was never put into effect.

A complete rationing program is generally speaking, a combination of two programs. There is first a "set-aside" program at the manufacturing level where supplies for essential military needs are removed from the total production; the remainder is then available for civilian distribution. The allocation of the remainder to civilians is handled by a second program. There are marked differences between these programs. The set-aside program is normally rather easy to administer and it assures that the Nation will have essential materials it needs to carry out its objectives, so far as the available supplies make this possible. The allocation program, on the other hand, is usually difficult to administer as it requires the control of prices as well as distribution (that is, civilian rationing) and is normally not justified unless civilian supplies are so inadequate to demand and so necessary to the economy that, in the absence of controlled distribution, an important sector of the population will experience real hardship. There was little question of the necessity of set-aside programs in most commodity fields during World War II, whereas the need for allocation programs in many of these fields in view of the disturbances they introduced did not warrant the effort of setting up and administering consumer-rationing programs. Consumer rationing programs were used during the war for many foods, for gasoline, and for one item of clothing - shoes.

The Supply Problem

In the field of supply, a problem of almost equal magnitude remained. The earlier studies of wool supplies and requirements estimated total annual wartime requirements at from 900 to 1,000 million pounds of wool (grease basis), and this proved to be somewhat lower than

the actual consumption that was required for 1941 and the years following. 5/ The Nation had only 199 million pounds of apparel wool on hand on April 1, 1941. A domestic clip of about 450 million pounds was coming to market, but inventories would have to be built up and at least 500 million pounds of imported wool would evidently be required annually during the war, in addition, if consumption requirements were to be met. A part of this - perhaps not more than about 300 million pounds, mostly medium grades - could be obtained from South America and could be used in military blankets and overcoats and in civilian goods. The remainder - at least 200 million pounds annually of fine wools - must be obtained from either Australia or the Union of South Africa as they are the only countries which normally export fine wool in commercial quantities. Supplies of apparel wool were available in these countries but it was uncertain whether the United States would be able to keep its supply lanes open in time of war.

There were several possible fronts on which the problems of assuring adequate wool supplies could be attacked. Domestic production could be increased, imports could be increased, emergency wool reserves accumulated, and further use could be made of wool substitutes and extenders and, if necessary, allocation of available supplies could be made. There was a distinct possibility of increasing domestic production but the extent of the increases would be limited. Our production of wool had never increased more than 25 million pounds in a year; even with concerted effort an increase of more than 50 million pounds a year was very unlikely. Likewise, military authorities viewed the use of wool substitutes and extenders as a move to be taken only if other methods failed. Plans to increase imports and to establish reserves of wool seemed to be more promising. While the Nation still had access to foreign supplies it might be possible to build up large wool stocks in this country. The time element might limit the program severely and there were other considerations. The British, until the fall of France in June 1940, were reluctant to dispose of any large part of their stocks, as they believed they and their Allies might need them. Shipping space was very scarce at this time, with much of it concentrated in the Allied hands.

5/ A report entitled "Apparel Wool" dated July 10, 1941, by Stacy May of the Office of Production Management estimated requirements on a fiscal year basis for 1941 at 956 million pounds, and 1942 at 1,047 to 1,252 million pounds (greasy shorn equivalent). His estimates proved to be low on military requirements and were high on civilian consumption. A study by John Cassels, OPA, issued January 28, 1942, estimated military requirements for 1942 at 600 million pounds and estimated that, on the basis of total available supplies of raw wool, consumption for civilian use should be held to 300 million pounds.

Price Problems

Other problems of a general nature were in prospect. Perhaps the next most important problem was found in the field of price. The price rise in wool and wool manufactures, had, until the outbreak of the war with Japan, been larger than the increases in the general price level. Thereafter, widespread concern was expressed about the high cost of living and steps were taken to keep it from advancing further.

A totally unexpected price problem arose later in connection with the production of domestic wool. The strong demand for raw wool and the operations of the War Department, which supported prices for domestic wool, by 1942 had raised farm prices for wool 80 percent above the 1939 levels. A large volume of imported wool was in the country by late 1942 and the support operations of the War Department were becoming less effective is sustaining the prices for domestic wool. As costs of producing wool had risen substantially, the wool growers were finding it less and less profitable to produce wool. They appealed to the U.S. Department of Agriculture for more adequate price support. The action taken in resolving this problem created another problem in turn. As the Nation had been actively stimulating the production of wool it did not seem advisable to allow prices for wool to decline when other prices were rising. Consequently, the Department of Agriculture began buying the domestic clip in 1943, and it continued this policy for several years. Later this Department had to liquidate this wool with as little loss as possible.

Reconversion Problems

Wool textile mill activity during 1941 surpassed all previous records. A rate of production was attained which was adequate to meet essential needs. Strict control of civilian production was exercised during 1942 chiefly as a wool-conservation measure; during 1943 these controls were dropped. Early in 1945, however, processing capacity proved to be a limiting factor in the fabrication of wool textiles, because of a scarcity of skilled labor. The calls of the Selective Service and the higher wages paid in war industry had reduced the numbers employed in the woolen and worsted industry. A sudden flood of military orders in late 1944 taxed the productive capacity of the mills.

The obvious answer in this situation and the one that followed, was to reduce drastically the production of civilian goods. This reduction in wool-textile production resulted in smaller offerings of

wool apparel for sale during the fall-winter season of 1945-46. It was soon followed by the termination of the war. Reconversion and the accompanying shifts in employment, the rapid release of men from the Armed Services, and the record level of consumer incomes made the 6-month period, from October 1945 through March 1946, one of an unprecedented high civilian demand for wool apparel at the time when the supplies were small. Retail stocks of many items of wool apparel were practically non-existent during this period and many urgent needs went unsatisfied.

GOVERNMENT WARTIME CONTROLS RELATING TO SUPPLIES AND PRICES OF WOOL

The general problems faced by the Government in its wartime mobilization of wool were met by programs administered by the different agencies of the Government. Emergency wartime legislation provided the authority on which most of the Government's controls were based.

Prosecution of the war necessitated the rapid development of these programs. Ordinarily there was not sufficient time to work out all the details in advance. In such a setting, the success of the wartime programs became contingent not only upon a high degree of cooperation among Government agencies but also upon acceptance and participation in the programs by both industry and the general public. Because of the brevity, the treatment which follows does not bring out clearly the interplay and interdependence of the various Government agencies among themselves and with industry and the general public, but these elements were an important factor in most of the programs.

Many agencies other than those directly charged with the programs' operation were consulted in their formulation and administration. For example, in the Emergency Stockpiling Program alone, the National Defense Advisory Council, the Office of Production Management, the War Production Board, the Defense Supplies Corporation, the War Shipping Administration, the State Department, and the Office of Price Administration were actively involved at one time or other. In addition, the Departments of War, Navy, Agriculture, and Commerce, the Tariff Commission, and possibly others were interested parties. As the War Production Board administered those programs which most directly affected wool-textile mills, personnel of the War Production Board were drawn from industry. They tended to represent the views of industry. The Department of Agriculture naturally presented the growers' view. The Office of Price Administration tended to represent the consumers' viewpoint. The administration of the programs resolved many of these differences of opinion but frequently they were referred to the

Programs Relating to Raw Wool Supplies

The Government took action in regard to the wool supply to assure adequate volume in case our access to foreign sources was denied by the enemy. This appeared to be a distinct possibility in 1942, after the Japanese had bombed Pearl Harbor and had taken control of Southeastern Asia, including the East Indies and New Guinea, and appeared ready to move forward into Australia. The German army was apparently strongly entrenched in Africa. Conservative war planning required that the United States not count on continued access to Australia or to the Union of South Africa.

The Allies fortunately succeeded in keeping the Japanese and German military forces from cuttingour supply lines to foreign wool-producing countries. In later war years, wool supplies were plentiful, and a new set of problems, almost the reverse of the original ones, developed in relation to the wool supply. Emergency stocks of British-owned and United States-owned foreign wools were no longer necessary and had to be disposed of. A CCC wool-purchase program was found to be necessary, to sustain incomes to wool growers at least partially. The discussion of this CCC program is found in the price section.

Efforts to Increase Domestic Production. The primary action taken by the Government to maintain and, if possible, to increase production was through efforts to assure favorable prices to growers. There had been rise of up to 50 percent in domestic wool prices at Boston when the war broke out in Europe but it had partly subsided by the middle of 1940. Prices received by farmers for wool in 1940 averaged 28 cents, an increase of 27 percent over the year before. From June to November 1940, the Government supported the prices by requiring that all wool textiles supplied on Government contract be made of domestic wool. Under authority of the "Buy American" Act of 1933 this was done. In November, when it became apparent that the supply of domestic wool was too small for military needs, an administrative order authorized the use of foreign wool when filling military orders but the Army continued to pay a substantial premium for fabrics made from domestic wool - and continued throughout the war to demand that some domestic wool be used when filling its orders.

Military demands during the war were more than enough to absorb all the domestic wool but the Army Procurement program was not well fitted for use as a support measure. According to a report of the Army Quartermaster Corps, the requirement introduced numerous difficulties into the procurement process, and at times hampered the buying. As urgency of military deliveries intensified, the requirements regarding domestic wool were relaxed. Mill demand for this wool depended

entirely on Army orders, the demand became erratic, and farmers, dealers, and mills were forced to hold and store wool in anticipation of large but infrequent military orders. This meant more uncertainty in wool merchandising at a time when conditions were already unstable. There was considerable speculation, and domestic wool markets were rather disorganized. Finally, in April 1943 the CCC began to buy the domestic clip.

In spite of the administrative shortcomings of the military price-support program it did much to sustain high prices for domestic wool and to increase production. Farm prices advanced with relatively little month-to-month fluctuation from June 1940 until April 1943. Apparently most growers benefited financially from the support. Over the 3-year period 1940-1942 prices paid for fine domestic wool were 14 percent higher on the average than were the costs to mills of comparable imported wools. (See figure 1) Spurred by favorable prices, production increased each of these years, registering a total increase of 27 million pounds (grease basis) or 6 percent during the 3 years.

No other measures of importance were taken by the Government to increase the production. At least one interesting plan was suggested. Louis G. Conner of the Tariff Commission, 6/ proposed that approximately 4 million aged and near-aged ewes, which normally would be culled soon, be bred, divided into small flocks, and moved from the range States into the native States to be cared for by 4-H Club members and other boys and girls living on farms. 7/ The ewes would be bought by the Government and presumably would be retained under Government ownership. The Government would receive the first wool clip and the new shepherd would have the first lamb. Mr. Conner estimated that an additional 6-percent increase in wool production would be obtained in the 3-year period 1943-45 but only a little of it would occur until 1944.

This plan illustrates the kind of effort that would be necessary to get a greater domestic wool production by means other than price, and suggests the modest return the effort would bring. The nature of the wool-production industry is such that only a moderate annual increase in production (scoured basis) can be obtained under any

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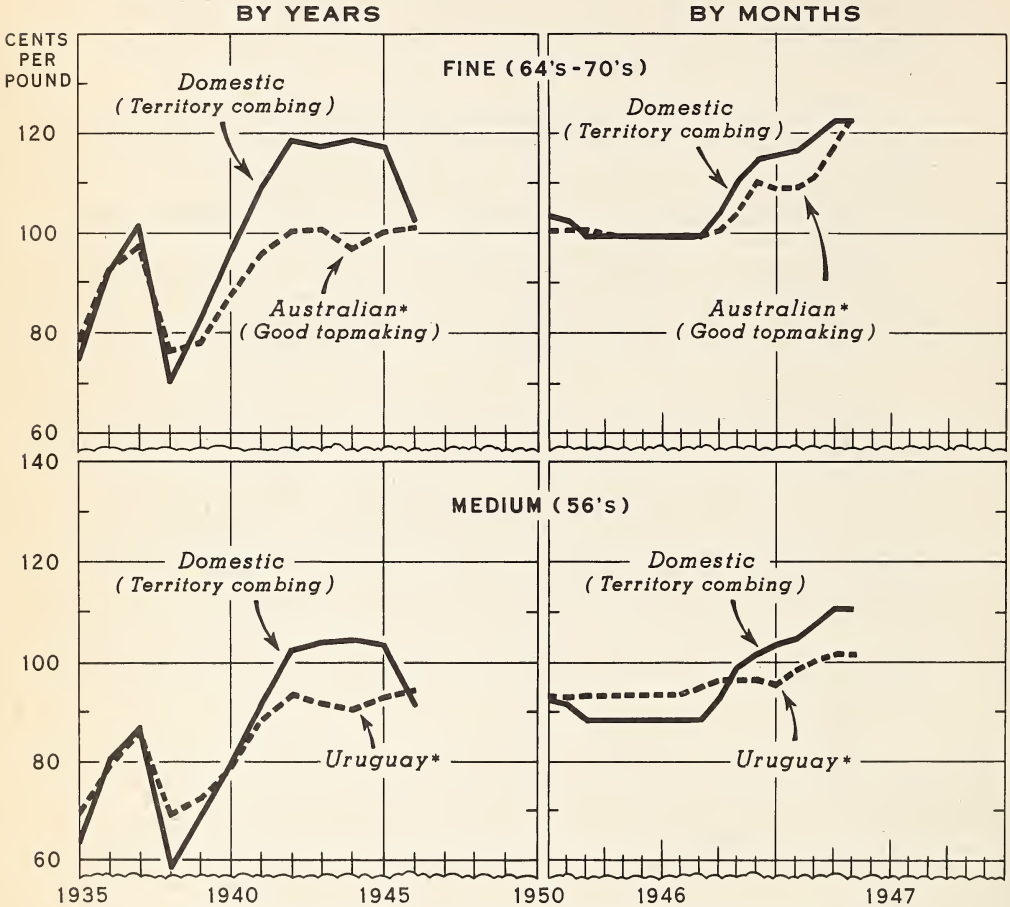
6/ "Tentative Plan for Emergency Increase of Wool Production in the United States" by Louis G. Connor of the U.S. Tariff Commission. This paper is reproduced on page 1021 of U.S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings....investigation of .... Wool, Part 6.

7/ "Range" States consist of the 11 western States, South Dakota, and Texas. "Native" States are all other States.

COMPARISON OF PRICES OF DOMESTIC AND IMPORTED FINE AND MEDIUM WOOLS, SCOURED BASIS, AT BOSTON, 1935-47



* IN BOND PRICE CONVERTED TO A SCOURED BASIS AND ADJUSTED FOR TARIFF AND DIFFERENCE IN PREPARATION OF DOMESTIC AND FOREIGN WOOLS

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FIGURE 1

circumstances -- unless live animals are imported into an area on a large scale, which would be quite improbable in time of war. Apparently, within a 2-year period the maximum feasible increase in wool production from flocks on hand is in the neighborhood of 20 percent. It is doubtful whether growers could double the wool output from their flocks within a 5-year span even by making every practicable effort.

The Shearling Program. Because of its close connection with wool, the relatively unimportant program to increase the production of shearling pelts is included here. This compact program indicates the close coordination required of participating agencies in programs of this kind.

The shearling program was developed in the fall of 1941 to provide warm flying clothes for airmen in the Military Forces. The War Production Board undertook the program but sought the help and advice of the Office of Price Administration and the U.S. Department of Agriculture. The program followed the usual course of restricting existing supplies to military purposes and stimulating additional production by favorable prices and patriotic appeals to growers. On February 16, 1942, a general shearling conservation order, M-94, was issued. This superseded a telegraphic order of December 12, 1941, requisitioning all the shearlings in this country for military use. Under M-94, the entire shearling supply was restricted to military orders, but shearlings that did not meet the military specifications (that is, did not grade as a Number 1 or 2) were released to civilians. It also prohibited pulling wool from sheep skins that were suitable for shearling production.

In order to raise shearling prices, the WPB requested tanners, on March 12, 1942, to offer better prices for shearling skins than was financially feasible under the ceilings for tanned shearlings which the OPA had put in force. The OPA promptly removed this ceiling. Prices which at that time stood at $1.75 to $1.80 for No. 1 shearling pelts and $1.25 to $1.30 for No. 2 8/ advanced. In May, the OPA again imposed ceilings, this time on raw shearlings. In issuing MPR-141 on May 11, OPA stated that it had previously refrained from regulating prices of domestic raw shearlings in view of the great need for these products but "although it is theoretically possible that a still higher price would result in even greater production it is believed that the point of diminishing return lies at or near the levels established by this regulation." Under this regulation, Number 1 and 2 grade shearlings were priced at $2.15 and $1.90, respectively.

8/ Hides, Leather and Shoes, Feb. 14, 1942.

Early in March 1942, the WPB made an appeal to sheep raisers in California and Texas to shear their lambs and yearlings early enough so the skin at slaughter would contain one-quarter inch to one inch of wool. In the months that followed, this appeal was echoed in other sheep-producing areas. It has been estimated that domestic shearlings in 1942 totaled about 5 million skins, a considerable increase from earlier years. In addition, there was an increase in shearling imports. Skins that could be processed into shearlings received a fairly high shipping priority but more than half of the imported skins were discarded for shearling purposes.

The U.S. Department of Agriculture took a rather informal part in the program. P. V. Kepner, War Board Coordinator of the Extension Service, C. D. Lowe also of Extension Service, and C. G. Randell of Farm Credit Administration, and a supporting group of eight or ten specialists formed the shearling production group. Through conference and study it was able to supply much of the needed detailed background information and popularized the program through War Boards, Extension forces, and Farm Credit and other Department field workers.

The program continued to stimulate shearling production through early 1943; then it ran into difficulties. The Army Air Forces cut their shearling requirements for 1944 heavily. The 1944 contracts offered to the tanners in July 1943 allowed no protection on inventory stocks. As tanners buy 4 to 6 months in advance, they immediately became very conservative bidders for shearlings. Skins accumulated in packer's hands, so they reduced their bids on lambs and yearlings that were suitable for shearlings pelts.

Through the efforts of the WPB and USDA the 1944 contracts were finally put on the same basis as used in 1943. At the same time a telegram was directed to chairmen of the State Shearling Committees, to packers, tanners, and market interests saying that the AAF had adopted a program making it possible for tanners to continue as active bidders for shearling pelts during the next 3 months when lambs and yearlings already shorn would be marketed. It suggested that all efforts to have lambs shorn for the shearling program be discontinued and that producers be advised accordingly. To reduce shearling supplies and expand the demand for them, the WPB discontinued the authorization for imports of foreign sheep skins and removed the restrictions on the use of shearlings for civilians.

The shearling program was very successful as an emergency effort to increase the supply of shearling pelts but it failed to provide an orderly readjustment to lower production levels, once the emergency had passed.

Actions Concerning Imports of Commercial Wool. There was no specific program during 1941-42 to foster commercial wool imports, but Government policy in the matter was clearly discernible. The Government was directly interested in stimulating importation of commercial wool but preferred to do it by indirect means.

There was a ready market in this country for wool imported commercially and exportable foreign wool supplies were available for purchase by private firms. Consequently, the only positive measures required, were for the Government to insure favorable price margins to wool importers and to insure shipping preference for wool. Dealers were already familiar with the details of the wool supply and demand situation and had the facilities and business connections to effect large-scale movement of foreign supplies. As early as December 1940, entirely through private initiative, imports of apparel wools for consumption had reached 41 million pounds a month - a volume almost half as large as the average annual imports during 1935-39.

Direct Government action in regard to prices was not needed until 1942. During 1941 the Government's domestic-wool price policy and the demand for apparel wool had brought a favorable price margin for dealers and a rapid turn-over of wool supplies. When price ceilings were imposed in early 1942, the Government provided for substantial dealer mark-ups on British Southern Dominion wools in order to foster their continued importation. Under Revised Price Schedule 58, dealers were allowed either a 5-cents-a-pound (clean basis) or a 10-percent mark-up whichever was larger. This was a wider margin than had usually prevailed in the competitive prewar market. Demand continued strong and record quantities of imported wool entered the country throughout the war.

Import Regulation. Some regulation of imports was necessary because of the scarcity of shipping space. When the country swung over to a war footing, after Pearl Harbor, the Import and Shipping Branch of the War Production Board began to regulate importations of essential commodities and later, all commodities, through General Imports Order 63. Three commodity lists were set up. Commodities on these lists could be imported only by Government agencies or with the special permission of the War Production Board and commodities on lists I and II were considered critical and strategic to the war effort. List III was made up of less essential civilian items. List I commodities, after receipt, could be sold only to Government agencies or could be processed or moved only after approval by the War Production Board. Commodities on Lists II and III, after receipt, could be sold, processed, or consumed without restriction. The authorizations on import licenses required under the import order were closely coordinated with the priority ratings system.

Wool received very favorable treatment under this import regulation. Our best sources of raw wool were Australia and New Zealand, and many munition supply ships were returning from that general area. Apparel wools finer than 44's were put on List I early in June 1942. At this time shearlings were on List II. Coarse wool, carpet wool, mohair, cashmere, alpaca wool noils, and wool wastes were on List III. On June 30, 1942, the finer grades of apparel wool, and shearlings, were exempted from the provisions of M-63 because shipping space for wool from Australia, Africa, and other sources was then plentiful. Both were placed on List II when these exemptions were eliminated (August 22) on shearlings, and (September 30) on fine apparel wools. As shipping from wool supply areas was not critically short, these changes were an advantage to importers. They could bring in their wool as rapidly as before and could sell it without getting permission from the WPB.

There were further small changes in the import status of apparel wools during 1943. In March, wool imports from Argentina were limited to grades finer than 40's but not finer than 58/60's, because shipping from that area was limited and substantial quantities of these medium wools were required for military orders. At the same time, the shortage of shipping in the Atlantic area caused the WPB to cut the wool quota from Africa in half as it produces mostly fine wools, and enough fine wool was arriving from Australia. In May 1943 the restrictions were made more stringent and the remaining quotas to importers of cargo space were alloted on the basis of the percentage of imports handled in the year ending September 30, 1942, and was 7 percent in the case of Argentina and 8 percent in the case of South Africa.

In September 1943 the WPB modified its restrictions on importations of all wool, including carpet types. Apparel wool finer than 40's was moved to List III as shipping conditions had further improved. As there was more need for coarse wools for use in many heavy, utility-type, civilian and lend-lease fabrics, the regulation now permitted any grade of wool (including carpet types) to be imported for apparel or industrial purposes, except that no license would be issued for wool that was to be used for upholstery or draperies. The supply and shipping situation continued to improve. In July 1944 all restrictions on the uses, to which imported wool could be put, were removed. Shortly after VJ-Day, on September 5, 1945, wool was removed from the General Import Order.

Table 1.-Wool: Imports for consumption by class, actual weight, average 1935-39, annual 1939-46

Year	Carpet wool	Other wool not finer than 40's 1/	Wool finer than 40's 2/	Total 2/ 3/
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
Average 1935-39	138	20	66	224
1939	145	24	75	244
1940	134	24	199	357
1941	202	52	562	816
1942	72	38	745	859
1943	33	18	625	678
1944	35	81	501	620
1945	79	94	631	807
1946	125	188	736	1,054

1/ Includes some wool entered duty-free for floor coverings and other duty-free uses.
2/ Excluding wool stored as an act of international courtesy for the British Government.
3/ Includes a small amount of carbonized wool not reported by class or grade.

Government Wool Stockpiles. To provide for possible loss of access to supplies of foreign wool, the Government in 1940 took steps to store foreign wool in this country. Several Government agencies were directly interested in this problem and most of them took an active part in the proceedings as the program developed. Immediately after the outbreak of the war in Europe in 1939, an Interdepartmental Wool Committee became concerned about the effect of the possible loss of foreign supplies upon domestic markets. It recommended that negotiations be opened immediately with the British concerning possible bulk purchase of Empire wools but not action was taken at that time. Early in the following year the Raw Materials Division of the National Defense Advisory Commission became concerned about the effect of the short wool supplies on our defenses and drew up a plan which called for an emergency reserve of 250 million pounds of Australian wool. Later, this idea developed into the United States emergency wool stockpiling program through a series of international agreements with the British Government, which had control of the greater part of all commercial supplies of foreign wool.

The original agreement with the United Kingdom provided that the wool be delivered f.o.b. at Australian ports and that, although the United Kingdom would retain title to the wool, the United States would accept custody there. It became the responsibility of the United States to transport the wool to this country and store it here in bonded warehouses. The Defense Supplies Corporation handled the transportation and storage of stockpile wool for our Government. The DSC did this through the use of private wool-handling facilities. The over-all administration of the program was maintained in Washington, but the physical transfer and storage of the wool was performed by contract with private handlers and warehousemen.

Most of the wartime emergency wool stockpile (table 2) was brought in as a consequence of five international agreements concluded with the British Government. The National Defense Advisory Commission, acting in conjunction with the Army and Navy Munitions Board, and through the State Department, negotiated the initial agreement. The scope of this Agreement was broadened through four subsequent agreements. The wool was designated by grade and type to meet our mill requirements. The initial stockpile agreement provided that a sizeable reserve of British-owned wool was to be stored in this country, and that the United States was to pay all additional expenses that arose from the change in the place of storage. Later, prompted by the British need for foreign exchange and our Government's desire for larger stocks, the OPM recommended the purchase of British-owned wool which had arrived during 1941 and recommended that the stockpile be increased to 1 billion pounds.

In line with these recommendations, agreement No. 2, which superseded the initial agreement, provided that the United States would buy all wool then stored by the British in this country and certain wool that was to arrive later. In agreement No. 3, which was concluded at the same time with the British, it was arranged that our Government would store British-owned South African wool. This Cape wool was to be available for consumption in the United States on terms identical with those provided in regard to Australian wool in the initial stockpile agreement. Shortly afterward, a fourth arrangement was made through an exchange of correspondence, whereby the British Government arranged to ship to and store in the United States, for its own account, Australian and New Zealand wool. On March 1, 1943, after several conversations between representatives of the British Government and our own, these last two agreements were consolidated into a fifth agreement.

The five agreements between the British and our Government differed in many details, especially with respect to the financing arrangements, but the central theme running through them all was the

establishment of a wool reserve in the United States upon which both Governments could draw should an emergency arise. 9/ Withdrawals from the stockpile by the United States were not limited, provided the United States Government officially announced that an emergency wool shortage existed in this country, whereas replacements for United Kingdom withdrawals had to be enroute to the United States at the time of the British withdrawal. Initially in these negotiations our Government's representatives expressed a distinct preference for spending 7.5 million dollars to cover the estimated additional costs incident to storage of United Kingdom-owned wool in this country rather than invest 90 to 100 million dollars in outright purchase. On the wool that was bought later, because of the United Kingdom's need for foreign exchange, the United States realized considerable profit. This profit, which advance estimates placed at 4.6 cents a pound, was probably more than enough to offset the costs incident to all the other stockpiling operations discussed in this section.

There were other but smaller international transactions in wool by our Government. An agreement was consummated by the State Department with the Uruguayan Government wherein the United States agreed to purchase the carry-over of 1941-42 Uruguayan wool and to underwrite a part of the 1942-43 clip, in order to bolster the economy of that country. Stocks received and stored in this country under this agreement were relatively small (table 2). About 5 million pounds of Argentina wool owned by the Amtorg Corporation was also obtained by requisition while in transit in a U.S. port in May 1941. The Uruguayan wool and that belonging to the Amtorg Corporation were disposed of by the DSC with other United States-owned foreign wools. Also, the United States Commercial Corporation (a governmental agency) bought about 2.4 million pounds of Icelandic wool, mostly carpet types, "in fulfillment of our commitments and for political reasons." 10/ This wool was sold at Boston by a private company.

Upon cancellation of military contracts in 1945 a small quantity of wool was turned back by mills to the War Assets Corporation. The stocks probably totaled less than 5 million pounds. They were disposed of through auction sale at Boston in 1946.

Government stocks of domestic wool were accumulated through the Commodity Credit Corporation price-support program for domestic wool growers.

9/ The agreements and many details concerning them are given in U.S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings .... investigation of .... wool, Part 6.

10/ Memorandum to John D. Goodloe (Reconstruction Finance Corporation), from Arthur F. Gardener (U.S. Commercial Company), in ibid., p. 1126.

Disposal of United States-owned Wool Stocks. Although most of our Government wool reserves were acquired during 1942, they accumulated, in reduced volume, during 1943. The outlook for continued access to foreign wool supplies, which was viewed pessimistically as late as the Fall of 1942, changed swiftly during the next few months. Early in 1943, the Department of Agriculture suggested that further Government importation of wool be stopped and that an orderly liquidation of existing stocks be arranged. It pointed out that domestic wool growers, from the inception of the DSC program, had been concerned about the large stocks being built up in this country and feared the effect of the disposal of these stocks on domestic markets. The Army Quartermaster Corps was opposed to the suggestion at that time.

The Foreign Economic Administration in September 1943 also recommended that further Government importations be stopped, and in December of that year the WPB, which was charged with the allocation of wool to industry, found that private importations were meeting requirements and recommended that stocks of foreign wools owned by the United States be liquidated.

The disposal of the Government stocks of foreign wool was planned to allay the apprehension of growers and dealers. An auction system was decided upon as it would permit the greatest dollar recovery and fairly equal opportunity to all buyers. An Advisory Committee composed of representatives of the growers, manufacturers, dealers, and brokers assisted in deciding upon the quantities and qualities of wool to be offered. The auctions were handled by the National Wool Marketing Corporation (a cooperative marketing association) under a sliding scale of fees much lower than the customary broker's commissions. A moderate quantity of wool was offered at each auction with an upset or floor price on each offering and no bids below this price were accepted. The upset price was based upon current replacement costs of similar commercial wools. In addition, there was an OPA ceiling on these wools. This ceiling was 10 percent higher than the upset price and permitted little leeway in bidding. Practically all offerings were sold at the first auction series, held in January 1944.

Liquidation of the stocks proceeded rapidly during 1944 and the first 5 months of 1945. About 264 million pounds of wool were sold. As the sales progressed, an objection arose that because wool was not being offered for sale at all times some buyers could not take full advantage of the auctions and were forced to buy in foreign markets. To meet this objection private sales were permitted of wool that had been offered at auction but not sold. It was sold at the upset price, one-half percent commission being allowed to the seller.

Our stocks contained a good deal of wool of types that are not normally used in this country and so could not be sold at the upset price. On the other hand, the stocks of the United Kingdom stored in this country contained much wool that was suited to our industry. By an agreement with the British, an exchange of wools was arranged on a value basis to eliminate the less desired types from our stocks.

Early in May 1945, 58 million pounds remained unsold, and consideration was being given to reducing the upset prices. At this point the Foreign Economic Administration wanted to acquire these remaining stocks to distribute through lend-lease to France, Belgium, and Holland, now freed from enemy occupation. The rest of the stocks was removed from public sale and sold to Treasury Procurement. 11/ It was shipped out of this country during the last half of 1945.

Disposal of British-owned Stocks. To protect domestic wool growers the agreements with British Government had provided that the stocks of British-owned wool could not be disposed of in this country without agreement of the two Governments. Disposal could be made at any time after the surrender of Germany.

After VE-Day the British moved their stocks out of this country as storage charges were higher here than abroad. They realized the active demand for this wool in continental Europe and the opposition that might develop to its sale in this country. At the end of 1946 only 31 million pounds of their stocks (which had totaled in excess of 500 million pounds) remained here. None of the British-owned stockpile wools entered into domestic consumption except that exchanged for a like value of United States-owned wool and about 5 million pounds of damaged wool which the DSC sold at auction in Boston during the war.

Apparently the Government was very successful in its management of the wartime emergency wool stockpile program. Large stocks were build up and later disposed of with little, if any, injury to domestic interests, although the sale of the foreign wools at auction probably reduced wool importation during this period by about an equivalent quantity. But imports during 1944 were very large; they exceeded by many times the average annual imports before the war. Our Government provided protection against the lack of a critical munition during wartime at no net expense to the Government.

11/ The DSC still owned some small miscellaneous lots of wool which had not as yet been concentrated for sale. These were disposed of in Boston during 1946.

Table 2.- Government-controlled stockpiles of foreign wools in the United States, grease basis, quarterly, 1941-46

End of Month	United States-owned Stockpile (DSC)						United Kingdom-owned Stockpile			
	Australian	New Zealand	South African	Uruguayan Stored in U.S.	Uruguayan Stored in Uruguay	Total	Australian	New Zealand	South African	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1941										
March							47	0	0	47
June							69	0	0	69
September							109	0	0	109
December	157					157	0	0	22	22
1942										
March	199					199	22	0	94	116
June	287					287	/86/		130	216
September	309					309	193		133	326
December	309					309	280		133	413
1943										
March	292			3	0	295	375		130	505
June	292			9	0	301	388		130	518
September	292			10	0	302	347		130	477
December	292			13	15	1/ 325	336		130	466
1944										
March	255			6	14	275	333		130	463
June	204		5	0	14	223	339		124	463
September	179		4	0	15	198	340		123	463
December	/94/		4	0	15	113	344		120	464
1945										
March	40	1	20	5	0	66	328	22	97	447
June	28	1	17	2	0	48	255	22	82	359
September	0	0	0	0	0	0	214	13	71	298
December	0	0					196	14	58	268
1946										
March							130	12	39	181
June							66	5	31	102
September							23	4	9	36
December							19	4	8	31

Defense Supplies Corporation. Based on invoices reported in bales. Average bale weights used.
1/ Includes 5 million pounds of South American wool requisitioned in May 1941 but not previously included in the stockpile. This wool was sold at auction, January 1944.

Price Regulations Regarding Raw Wool

Wool prices rose rapidly beginning in the fall of 1939. At the end of 1941 the farm price was 69 percent above August 1939. The corresponding rise for all farm products was 58 percent and for the general wholesale price level it was less than 20 percent. This rapid rise for wool had been favored by the support policies of the Government in connection with military purchases. By early 1942 there was widespread concern lest the incipient inflationary trend which was evident in our economy should get out of hand and hamper the war effort.

The OPA was authorized to fix maximum prices for a great many commodities to prevent further rise. Wool, because of its record of rapid price rise at the beginning of the war, was one of the first commodities controlled. But during 1942, while prices of other commodities continued upward, domestic-wool prices showed downward tendencies until, in 1943, the CCC began to purchase the domestic clip to protect the income of the growers. Then farm prices for wool remained about unchanged at 42 cents, grease basis, from 1943 through 1946. Duty-paid prices of foreign wool were much lower than the prices for domestic wool during the war (figure 1 on page 14). Prices for imported wool were also rather stable from December 1941 to June 1946 because of the price policies followed by the British Government and the OPA ceiling. In this section the OPA and CCC price programs on raw wool are outlined. Price support in connection with the military purchase program was discussed previously.

Maximum Prices. Shortly after the United States declared war the Emergency Price Control Act of 1942 was passed by Congress. This act gave sweeping powers to the Price Administrator to prevent further advances in commodity prices. Agricultural prices were required by law to be above four minimum price situations before ceilings could be established on them. Briefly, they were as follows: (1) 110 percent of parity or comparable price adjusted for grade, location, and seasonal differentials. (2) The prevailing market price on October 1, 1941. (3) The prevailing market price on December 15, 1941. (4) The average price for such commodity during the period July 1, 1919 through June 30, 1929.

The OPA had a tremendous administrative task. To restrict further rises in the general price level required the issuance of a myriad of price ceilings as rapidly as possible. The OPA organization was just being set up and had not even accumulated the necessary detailed factual data upon which to base specific maximum prices. For this and other reasons the first maximum price regulation were of a "freeze" type; that is, the regulations were phrased in terms of selling prices in some prior period designated in the regulation. In later orders, dollar-and-cents ceilings or definite price formulas were used in many cases.

Price Schedule 58 preceded the Emergency Price Control Act of 1942. It was announced on December 8, 1941, and was issued 10 days later. The order was not founded on any legislative authority but was issued under certain implied powers of the President. For enforcement it relied on the voluntary and patriotic response of an enlightened and informed public opinion. 12/ The prices of all raw and scoured wool, wool tops, and yarns were frozen by this regulation at the seller's highest price between October 1 and December 6, 1941. The maximum price for wool-top futures set under this order was 127.8 cents and for grease-wool futures 95.8 cents.

The passage of the Emergency Price Control Act of 1942, on January 30, required some changes to be made in this regulation. As amended, the authority for the order was rooted in the Price Control Act. The base period was lengthened to include the 8 days from December 7 to December 15, and the ceiling was raised to 132.7 cents for futures prices for wool tops and to 103.5 cents for grease wool. Specific dollar-and-cents maximum prices for domestic pulled wools, for certain South American greasy and scoured wools, and for certain tops and yarns used in military fabrics, had been established under previous amendments to TPS-58 and were not changed at this time.

The maximum prices of domestic shorn wools sold in a greasy or scoured condition was set at the highest market price for the same class, kind, type, condition, and grade that prevailed on October 1, 1941 or on December 15, 1941. If no such price existed, then the seller's maximum price for such wool sold within that period was to be used. If the seller had had no such sales or deliveries during this period, the maximum price was a price in line with maximum prices prevailing in the market for related type, grade, etc.

In late February, greasy shorn domestic wools were taken from under Price Schedule 58 and a new order, Maximum Price Regulation 106, was issued. The regulation did not set maximum prices for grease wool at the farm level, but imposed dollar-and-cents prices by grades on a clean basis in the Boston market. The new ceilings appeared to be somewhat higher than the maximums previously in effect (under PS-58) as the farm price, which stood at 37 cents in December 1941, rose to 40 cents in April 1942. This may have been due to the premiums allowed by the regulation on choice wools and to the fact that a somewhat higher allowance was allowed for transportation and other costs

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12/ A discussion of the legal basis of early price-control regulations is given in U.S. Congress, 77th, 1st Session., House of Representatives, Committee on Banking and Currency, Hearings .... Price Control Bill, rev. ed., part 1, p. 373-384, (Washington, 1941).

incident to moving the wool from farms and offering it for sale at Boston than had existed when the ceilings were set, in December 1941. During 1941 the spread in prices between the farms and the Boston market had been narrower than in previous years. 13/ The prices set up under this order also became the purchase prices used in the CCC purchase program when it began in April 1943.

The maximum prices in MPR-106 were inclusive of all commission and other charges except as specifically provided for by the regulation. The maximum price on fine territory wool, average to good quality, 2½ inches or longer, was set at $1.18 a pound on a clean basis at Boston. For medium territory wools, of the same quality, 2 to 3½ inches in staple length, the maximum price was set at $1.04. A premium for choice wools amounting to 3 cents for fine grade, 5 cents for medium grade, and 8 cents for coarse grade was allowed. Specific discounts were provided for inferior wools. For original bag wools, or mixed lots, the maximum price was to be based on an estimate of the percentage of each grade and length included in accordance with established trade practices. Ceilings on domestic shorn wool sold in a scoured condition were not changed by MPR-106 which covered only domestic wools sold in a grease condition.

In late March, PS-58 was largely superseded when Revised Price Schedule 58 was issued. The new regulations revised the ceilings previously in effect and provided specific maximum uniform prices for all raw wools not covered by MPR-106, and on most wool semi-manufactures. Items covered in this order include domestic pulled wools, scoured domestic shorn wools, wool tops, noils, wool yarns, all foreign pulled wools, South American shorn wools, and British Empire shorn wools. Prices of wool waste and other wools not specifically included in the new schedule or in MPR-106 were still frozen at the October 1 - December 15 level under PS-58. The maximum prices allowed were generally higher than the prices permitted under earlier regulations, and they were made to conform with the higher maximum prices of domestic wools, established under MPR-106. Maximum prices continued to be much higher for domestic wools than for comparable duty-paid imported wools - a reflection of the market conditions of the 2 previous years. The new maximum for wool-top futures was set at 140.0 cents (including 7½ percent for war risk) but for grease-wool futures it remained unchanged at 103.5.

In general, for South American shorn wools the maximum prices were slightly higher than the levels prevailing before price control. Dollar-and-cents ceilings were not set for British Empire wools but were to be determined from the fixed selling prices of the British Wool Control. A margin of not over 10 percent or 5 cents per pound,

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13/ U.S. Bureau of Agricultural Economics, Livestock and Wool Situation, February 1943.

clean basis, whichever was greater, was fixed for dealers who handled these wools. Provision was made in the order for adjusting maximum prices of foreign wool with changes in the war-risk insurance rates.

Some of the later changes in RPS-58, worth noting, are: (1) The definition of wool under this order was expanded to include not only the fleece of sheep and lamb but also mohair, cashmere, camel's hair, alpaca, llama, vicuna, and wool noils. (2) Individual sellers who had abnormally low ceilings were allowed to file petitions for adjustments, these petitions to be filed before November 15, 1942. (3) Specific maximum prices for sales and deliveries of 10½-ounce shirting flannel to the United States Government were set. (4) Specific dollar-and-cents ceiling prices for certain carpet wools were established in May 1943. (5) Specific dollar-and-cents ceilings were established for mohair in May 1946.

Wool waste materials were removed from the provisions of PS-58 late in April 1942 and were covered by a new order, MPR-123. In this order specific dollar-and-cents prices or pricing formulas were established for 2,865 raw and processed wool-waste materials, under six general classifications. Under PS-58 the individual maximum prices had been determined at the highest prices received by each seller of these products during October 1 - December 15, 1941. Pricing formulas for processed wool-waste materials - comprising clips, cleaned and reduced to a fibrous condition - were also provided. In later amendments, wool materials in combination with other fibers were brought under the order and substantial revisions were made in the price tables in November 1942 and again in March 1943.

The issuance of the General Maximum Price regulation at the end of April 1942 did not affect the prices for raw wool, tops, or yarn, or wool-waste, as these were already covered by the earlier regulations. Much of the price data on which ceiling determinations were based were obtained from wool dealers and manufacturers under provisions in these regulations which required the keeping of complete and accurate records and the submitting of such reports as OPA requested. MPR-106, RPS-58, PS-58, and MPR-123, were all continued in force until late 1946, except for an interim in July 1946. The Price Control Extension Act of 1946, enacted in late July, required the Secretary of Agriculture to certify an agricultural commodity as in short supply before it could be continued under ceiling. Domestic wools covered under MPR-106 and RPS-58 were not so certified, so ceilings were removed on September 1, 1946. The Presidential Order of November 9, 1946 abolished all remaining maximum prices for wool. Most of the detailed administration of the individual price regulations on raw wool were handled within the Textile Price Branch of the Consumer Price Division.

In contrast to the rise both in prices for wool during the early war period 1939-41, and in the general price level during 1942-46, prices for wool in this country were not much different at the end of October 1946 than at the beginning of 1942. The stability of the wool-price level during 1942-46 was partly due to OPA regulation; but more important was the deflationary tendency of wool prices and the support operations of the Governments of the United States and the United Kingdom. After April 1943 there was no further economic need of MPR-106 and the domestic wool price aspects of RPS-58, as the United States Government was supporting domestic wool at prices that were higher than the prices for similar imported wools put on comparable basis.

The restriction that the OPA regulations placed on prices of raw wool was most apparent in the foreign field. During the whole 1942-46 period, privately held foreign apparel-wool stocks in this country averaged a 17-week supply at the then current rates of mill consumption of foreign wool; it twice dropped below a 12-week supply for quarterly periods. Considering that these data represent industry averages of all grades of apparel wool it seems extremely likely that in many periods a considerable number of mills found themselves with small holdings of a particular grade of wool but with large orders requiring that grade. Mill profits were large during this time and undoubtedly many dealers and brokers who had spot supplies could have realized larger mark-ups on British Dominion Wools than were actually permitted in the absence of the OPA regulations.

The dollar-and-cents ceilings established on South American apparel wools and on some carpet wools had some of the aspects of a two-edged sword. During most of the war these controls appeared to accomplish their purpose of restraining inflationary tendencies to some extent but during the latter part of 1946 when prices for foreign wool were rising, the OPA regulations resulted in reducing imports of these wools. The regulations were revoked before a serious situation arose but such regulations probably could mean reduced supplies of raw materials and restricted fabric production in this country, and result in higher product prices here. There may be some question whether price control should be more than a margin type of control when applied to imported raw-material supplies that have extensive market outlets in other countries.

Price Support. The Government wool purchase program was carried out under authority granted the Secretary of Agriculture in 1941, to support prices of agricultural products. The primary purpose of the wool program was to maintain prices to growers and to assure them a market at a time when foreign wools at lower price were readily available to United States mills.

When the United States began its heavy rearmament program, in 1940, the demand for wool was very strong. Because of limited domestic supplies prices of domestic wool rose considerably higher than the duty-paid prices of comparable foreign wool. An administrative order in November 1940 permitted the use of foreign wool in Government orders, but beginning in 1941 the Army paid a premium for fabrics made of domestic wool. This, together with the large volume of military orders, meant a maintenance of relatively high prices for domestic wool.

In response to strong pressure for additional governmental protection to wool growers, the CCC in the spring of 1943 established a program for the purchase of domestic wool from growers at the prices then prevailing.

Announcement of the Government purchase program was made on April 3, 1943. Purchase was to be made at current ceiling prices. On April 17, 1943, the War Food Administration issued Food Distribution Order No. 50, to be effective April 25, 1943. It required that domestic wool which had not been sold by producers before April 25 must be sold to, and purchased only by, the CCC, with the following exceptions:

(1) Country handlers were permitted to buy in lots of 1,000 pounds or less for their own account, provided such wool was later sold to CCC.

(2) Mills were permitted to buy direct from producers located within 50 miles of mill, in quantities not to exceed similar purchases made in 1942. Later, all wool produced in 19 Atlantic Coast and Cotton Belt States was exempt from the requirement of selling to CCC. These 19 States produced less than 2 percent of the U.S. clip and their production was considered too small to support a specialized wool-purchase program.

The Government program was handled throughout by the established wool trade. Dealers and cooperatives that had adequate facilities for purchasing, handling, grading, storing, and selling wool to mills, who wished to operate under the program, were designated as "handlers." They agreed to operate under conditions prescribed by CCC as to quantities purchased, marketing fees, and resale to mills on Government account. Provision was made for country merchants and assemblers to carry on their normal functions of collecting and assembling wool from small producers. These secondary handlers then resold to primary handlers for storage and resale to mills. Maximum

charges were specified for all marketing service performed by handlers and secondary handlers. Primary handlers were permitted a maximum handling charge of $1\frac{1}{2}$ cents per pound (grease wool) on lots of 5,000 pounds or more, 2 cents per pound on lots of 1,000 pounds to 5,000 pounds, and $2\frac{1}{4}$ cents for lots of less than 1,000 pounds. Country service charges were mostly $1\frac{1}{2}$ and $2\frac{1}{4}$ cents per pound and were in addition to charges of primary handlers.

The CCC system of appraisal introduced some desirable new practices in wool marketing. Domestic-wool merchandising is an extremely complicated affair. Buyer and seller, in arriving at an evaluation consider not only market prices of various grades of wool, clean basis, but also evaluate the grades and shrinkage of each lot. The final price is on a grease basis, and prices for different lots are not comparable. Growers thought that the wider experience and knowledge of dealers in merchandising placed them in a better bargaining position. The CCC appraisal system provided that a committee of three disinterested technical appraisers were to determine the grade and shrink of each lot of wool. The purchase price in the grease would be determined on the basis of this appraisal and the CCC published schedule of purchase prices, scoured basis, by grades. Another point of frequent disagreement was the weight of a lot of wool. Considerable variation in the weight of grease wool occurs with changes in humidity. The freight weight may be very different from the weight upon arrival, or after storage. The CCC appraisal system resolved this difficulty by determining "in weight" at the time of appraisement.

Although growers had asked for a guarantee of Government purchase during the war, and for 2 years thereafter, the CCC purchase program was kept on an annual basis and was extended for not more than 15 months at a time. However, the provisions of the 1943 program were continued, with only slight modification. Under the 1944 program, purchase prices were adjusted for certain short wools and off-wools to bring them into more normal relationship with prices of other qualities. Handlers' fees were increased slightly, and some changes were made in minor provisions covering limitation of sales and direct purchases.

On August 29, 1945, War Food Order 50, which required that practically all domestic wool be sold to the CCC, was terminated. The purchase program was continued on a voluntary basis until April 15, 1947 and most of the domestic production continued to move to the CCC.

CCC Purchase Prices. Throughout the war CCC purchase prices were based mainly on OPA ceiling prices for domestic wool, scoured

basis, delivered at Boston. The value of each lot bought from dealers was determined by official appraisers employed by the Department of Agriculture. Growers received the appraisal prices minus handlers' fees, transportation costs, grading, or scouring costs where pertinent, and CCC fee of 1-1/8 cents per pound to cover costs of appraisal, storage, and interest.

Because the CCC program was not launched until after the 1943 season had opened, only about 60 percent of 1943 production (shorn and pulled) was bought by the CCC. But in the following three seasons, purchases by the CCC accounted for more than 90 percent of total production. Table 3 shows the CCC purchases by quarters.

CCC Sales and Sales Prices. Until November 1945, CCC sold domestic wool to mills at the same prices at which it had bought. These prices were much higher than duty-paid prices of comparable foreign wool. Consequently, mill purchases of domestic wool were limited chiefly to requirements for those military fabrics which called for the use of domestic wool. When military orders were terminated shortly after VJ-Day sales of domestic wool declined. To make domestic wool available to manufacturers at prices more or less competitive with foreign wools, selling prices of Government-owned domestic wools were reduced an average of about 7 cents a pound, grease basis, on November 27, 1945; a further reduction averaging about 1½ cents a pound was made on February 21, 1946. These reductions averaged between 15 and 20 percent of appraisal values on a scoured basis for most grades but exceeded 20 percent on short wools and wools of poor quality.

Following these reductions in price there were some increases in CCC sales of wool (table 3). Such sales were not large, however, until the latter half of 1946 as mills had already made heavy purchases in foreign markets. Government sales of wool in the British Empire were suspended at the end of June 1946 in preparation for the reopening of auction sales in September. The trade anticipated that sales at these auctions would be at higher prices than under the British issue price, previously in effect, so larger quantities of CCC wool were sold during the third quarter of 1946.

During the fourth quarter of 1946 and the first quarter of 1947 the levels of the price for both foreign and domestic wool were rising. The CCC was prohibited by law from selling its wool below parity, and on October 14 it had to raise its prices to keep from doing so. The index of the prices paid by farmers for all family living and production expenses including interest and taxes, on which wool parity is based, continued to rise. This necessitated periodic

Table 3.- CCC purchases, sales and stocks of wool, quarterly, April 1943-March 1947. 1/

Year beginning April	Purchases (Actual weight)	Sales (Actual weight)	Stocks, end of quarter		
			As Purchased		Total 2/ (Grease equivalent)
			Greasy	Scoured	
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
1943					
April-June	10.7	2.7	7.9	.1	8.1
July-Sept.	135.5	28.1	110.8	4.6	118.6
Oct.-Dec.	78.9	24.7	161.8	7.8	175.1
Jan.-Mar.	41.7	33.0	162.9	15.4	189.1
Total	266.8	88.5			
1944					
April-June	89.8	37.4	216.1	14.6	240.9
July-Sept.	173.9	83.8	300.1	20.7	335.3
Oct.-Dec.	76.2	72.9	304.1	20.0	338.1
Jan.-March	46.7	88.2	264.0	18.6	295.6
Total	386.6	282.3			
1945					
April-June	85.3	46.0	298.8	20.1	333.0
July-Sept.	151.1	42.6	403.9	25.8	447.8
Oct.-Dec.	63.1	30.1	435.2	25.8	461.0
Jan.-March	40.1	54.0	417.2	30.5	469.0
Total	339.6	172.7			
1946					
April-June	47.8	37.6	443.3	34.6	502.1
July-Sept.	129.0	81.5	490.8	32.3	545.7
Oct.-Dec.	72.3	146.9	414.6	29.6	464.9
Jan.-March	33.4	59.7	379.6	32.9	435.5
Total	282.5	325.7			
Grand Total	1,275.5	869.2			

1/ As reported by Fiscal Branch, PMA. The differences between purchases and sales does not equate with changes in stocks because of inter-transfers between banks and changes in weight due to moisture and scouring.
2/ The scoured wool was converted to a grease equivalent by use of the factor 1.7.

increases in CCC selling prices of wool. At the end of March 1947, CCC selling prices were about as high as they had been in November 1945 before the CCC had first reduced prices. Meanwhile, foreign-wool prices at British Empire auctions in September 1946 opened substantially above previous issue prices, and they continued to advance throughout the 1946-47 season. The rise at foreign auctions during most of the fourth quarter of 1946 was greater than was the rise in CCC prices so that CCC sales continued large during most of this period. Following the rise in CCC selling prices at the end of November 1946, however, sales of CCC wools dropped in volume and were rather moderate during the first half of 1947.

Accumulation of CCC Stocks. Although mill use of apparel wool was at a record level during the war and was more than double the rate of domestic-wool production, stocks of domestic wool accumulated in Government hands during the wool purchase. At the end of the first year (April 1, 1944) CCC stocks totaled 189 million pounds, grease basis (table 3). Such stocks had increased to 296 million pounds by April 1, 1945. The drop in military orders for wool fabrics when the war ended greatly accelerated the accumulation of stocks. On April 1, 1946, the CCC held 469 million pounds of domestic wool, the equivalent of more than a full year's domestic production.

The CCC was able to effect some small reduction in its stocks of wool during 1946-47 but end-of-season stocks were still large. About one-fifth of these stocks consisted of wools 2 or more years old. Presumably the quality of the stocks was about average, though little information is available on this subject. Two-thirds of the wool graded half-blood or finer and less than 10 percent of the wool consisted of off-sorts, ungraded wool or wools coarser than three-eighths blood. Stocks of pulled wool (included in the data above) were rather small and consisted mainly of wools bought in 1945 and 1946.

Extension of the Commodity Credit Program. The wool-purchase program had been carried out until April 15, 1947, under emergency authority granted to the Secretary of Agriculture. On January 22, 1947, in a statement that he presented before the House Committee on Agriculture, the Secretary said, "We do not plan to continue it [the wool purchase program] unless the Congress specifically directs us to do so."

The Congress meanwhile had been considering legislation to continue the program. At the conclusion of the Hearings of the Senate Committee "To Investigate the Production, Transportation and Marketing of Wool" in late 1945, Chairman O'Mahoney had requested the President to have the interested executive agencies formulate a permanent wool program. The President in reply, on March 12, 1946, had

recommended a long-term extension of CCC buying program. 14/ He suggested that purchases be made at 90 percent of comparable price through 1948 at least, and between 60 and 75 percent of comparable price after that. 15/ He also recommended that CCC be permitted to sell its wool below parity -- then prohibited by law. 16/

Mr. O'Mahoney incorporated these recommendations in a bill and introduced it in the Senate. It was reported favorably by the Senate Agricultural Committee but failed to reach a vote in the last-minute rush toward adjournment of the second session of the 79th Congress, because of unexpected opposition expressed by wool dealers.

Several bills providing price support for wool were introduced in the new Congress which convened in January 1947. One of these, the Robertson Bill, passed the Senate on April 7, 1947. It provided price support for domestic wool through December 31, 1948 at the same price at which wool was supported in 1946. This bill was amended in its passage through the House and when it reached the President for approval it contained an additional provision permitting him to establish fees and quotas on imports of foreign wool. The action was taken at the time when the United States Government was taking a leading part in the United Nations Conference at Geneva. The conference had been called for the purpose of reducing trade barriers and of drafting a charter for an International Trade Organization in an effort to help restore world economic conditions. In vetoing this bill the President pointed out that its enactment would have been interpreted around the world as a first step on the same road to economic isolationism down which this and other countries traveled after the First World War, with such drastic consequences.

14/ An Effective Wool Program, letter from Hon. Harry S. Truman to Hon. Joseph C. O'Mahoney, Senate Document 140, 79th Congress, 2nd Session.

15/ By comparable price is meant a revised parity price which allows for the less favorable base period used in determining the present wool parity price. If the base period incorporated in the O'Mahoney bill were used, it would raise the parity price 25 percent. The full presidential recommendation on this point was that support at 90 percent of comparable price be extended for 2 full calendar years following the declaration of the end of hostilites (so declared on December 31, 1946) but not to be reduced till the decline in stock sheep numbers has been arrested.

16/ The President's program also provided for use of funds collected from general import duties to offset CCC losses, the application of the Marketing Act of 1937 to wool, an intensified research and development program, and active participation of the United States in developing a world program for wool.

He indicated that he felt that its enactment would be a blow to our leadership in world affairs and a tragic mistake. He expressed the view, however, that the wool growers were entitled to receive price support as he had recommended in 1946, and he urged the Congress to enact a bill consistent with our international responsibilities promptly. 17/ The Congress responded; public law 360 (80th Congress, 1st session) was enacted on August 5, 1947, providing price support to domestic growers through the remainder of 1947 and all of 1948, at the 1946 level. The legislation also permitted the CCC to dispose of its accumulated stocks at less than parity. The latter provision had been included in most of the bills and very little opposition had been registered.

The 1942-46 CCC Program. The Commodity Credit Corporation wool-purchase program achieved the objective of supporting average prices to growers from April 1943 through April 1947 at 42 cents (grease basis), considerably above the duty-paid import price of comparable foreign wools adjusted for differences in preparation. 18/ Consequently, domestic growers benefited substantially from the program in a period that was peculiarly unfavorable to them. Without the program the liquidation of sheep would probably have been even more severe than it was.

Actual realized loss on the CCC wool-support program from April 1943 through April 30, 1947 amounted to 46 million dollars. In addition, the CCC still had 32 percent of its wool purchases on hand at the end of that period, and a reserve of 49 million dollars for losses sustained upon liquidation of these stocks had been set up. Considering the current market for wool this reserve appears to have been more than adequate. Total losses for the wool program for the 4 years, 1943-46, probably will turn out to be less than 95 million dollars. For the entire program, as extended through 1948, it does not appear likely that the total loss will exceed 150 million dollars. Such losses are substantial, but they are rather small compared with agricultural subsidies paid in other fields. Approximately 1.2 billion dollars were paid out in direct subsidy payments to dairy producers during 1943-46.

The CCC not only used the facilities of the established wool trade but was successful in coordinating and directing the activities of the cooperating dealers in obtaining a smoothly functioning program.

17/ U.S. Congress, 80th, 1st Sess., Senate, The Wool Act of 1947 -- Veto Message (Senate Document 68).

18/ Most of our competitive foreign wools are produced in Australia and the Union of South Africa. They are generally skirted and graded before shipment and so wools of comparable grade command a premium. This premium was about 10 percent of the domestic price during the war.

The principle improvements introduced into wool marketing by the CCC was their method of appraisement. Further changes would have been desirable.

One change in the operating program that would have been beneficial to producers would have been earlier announcements of the annual continuance of the program. Usually sheep growers had already made their decision of the size of flocks they would retain before the CCC announced the extension. When these producers' decisions were being reached, the CCC program was scheduled to terminate before the producers' next wool clip would be marketed, so the price-support program was less effective than it might have been in sustaining sheep numbers.

More attention to the merchandising of CCC wools acquired under the purchase program would have been desirable. Mills were consuming large quantities during the war, but relatively little domestic wool was used and large stocks of it accumulated in CCC hands. The program would have been more effective in improving the future outlook for prices of wool if these stocks had been kept small, for growers became apprehensive of their demoralizing effect on the market. There was no guarantee that these accumulating stocks would not be sold soon after the termination of the support program, and perhaps seriously depress the domestic prices. If there had been a small reduction in CCC selling prices during the war, domestic wools might have competed more effectively with foreign wools for inclusion in military orders.

More use could have been made of the program to improving the method of merchandising wool. Growers were not satisfied with prewar methods and at their instance several innovations had been tried. In the early 1930's the National Wool Marketing Corporation was developed under Government sponsorship. It provided a central selling agency for wool cooperatives scattered through the States. A few years later, sale by auction was tried in the western States. The CCC had an excellent opportunity to experiment with the sale of the domestic clip by auction, in 1945. The auctions of the Defense Supplies Corporation in 1944-45, had been successful, and their methods would have furnished a promising pattern on which to develop auctions for domestic wool.

GOVERNMENT WARTIME CONTROLS ON WOOL CONSUMPTION

Background

Before beginning a discussion of controls of wartime wool consumption, some significant changes brought about by these controls and by wartime demand are reviewed briefly.

Textile Production Some of the more important developments in the wool-textile field are summarized in table 4. In this table, mill consumption is shown both on a scoured and on a greasy basis as there is considerable differences in the shrinkage of foreign and domestic wools and imported wool was a larger part of the total during the war. Total consumption (scoured basis) more than doubled during the war. The data for 1942, particularly, reveal the wartime effect of military requirements. In that year, military and export uses accounted for more than three-quarters of the total, and civilian use of wool dropped to less than half of its prewar level. In later war years, while military and export demands remained heavy, civilian consumption rose again to prewar levels, and in 1946 it reached a new record. Consumption for export is included with military requirements in table 4. This combination is useful for some purposes as exports provided military aid to our Allies. A further breakdown would perhaps have been desirable, if source materials permitted. But wartime exports were not large compared with military requirements.

The data on output of fabrics reveal the effect that large military requirements had on the production of wool textiles during the war. Military fabrics contain less reused wool and blending fibers and are also heavier in construction, on the average, than are civilian fabrics. Consequently they require much more wool per yard of fabric. This fabric placed more of the burden of production on the initial preparatory phases - like sorting, scouring and combing - as against spinning and weaving activities.

Exports of Wool Manufactures Exports of wool manufactures from the United States increased tremendously during the war. In 1944, their peak year, exports of wool fabrics, wearing apparel and blankets totalled 64 million pounds, compared with one million pounds in 1939. This increase was temporary as it grew out of the wartime needs of our Allies. Before the war, European countries had supplied most of the world import needs for wool textiles; apparel-wool textile exports from the United States were negligible. Even during the war, wool-textile exports were never an important outlet for domestic mills, being less than 10 percent of all wool-textile production, even in 1944.

Table 4.- Apparel wool consumption, fabric production and employment within the woolen and worsted industry, average 1935-39, annual 1939-46

	Unit	Average 1935-1939	1939	1940	1941	1942	1943	1944	1945	1946
Mill consumption (grease basis)										
Military and export	Mil. lb.	6	20	96	310	850	724	483	575	6
Civilian	"	586	610	545	667	227	337	526	438	1045
Total	"	592	630	641	977	1077	1061	1009	1013	1051
Mill consumption (scoured basis)										
Military and Export	"	3	9	43	140	442	385	254	326	3
Civilian	"	278	284	267	376	129	207	323	263	607
Total	"	281	293	310	516	571	592	577	589	610
Woven fabric production:										
Military and export	Mil. yd.	1/ 4	8	28	91	274	273	146	193	2
Civilian	"	1/344	364	313	412	254	263	382	300	602
Total		1/348	372	341	503	528	536	528	493	604
Manpower										
Employment	Thousands		157.7	152.9	192.7	186.3	174.1	161.5	154.3	174.2
Average work week	Hours	35.6	36.4	36.1	39.2	40.1	41.6	42.2	41.6	41.1
Total per week			5.74	5.52	7.55	7.47	7.24	6.82	6.42	7.16
Productivity Per Worker 2/			100			100.2	107.9	116.4	118.2	

1/ 1934-38.

2/ As estimated by the Bureau of Labor and published in Monthly Labor Review, December 1946, p. 900.

Total mill consumption and fabric production are from Bureau of Census reports except for fabric production in the years 1940 and 1941 which were estimated in part from Reports of the National Association of Wool Manufacturers. The break-down in part between military, export and civilian were obtained as follows: fabric production, 1934-38, 1939, 1942-44, and first half of 1945, material as published by the WPB. 1940, 1941, second half of 1945, and 1946 from announced military requirements. Wool consumption 1942-44 and first half of 1945 from unpublished WPB data on rated orders. 1935-39, 1940, 1941, second half of 1945, and 1946 from announced military requirements and purchases. In addition, reports of the National Association of Wool Manufacturers and the Army Quartermaster, data pertaining to civilian production, and other information were used.

Data on mill consumption include wool used on cotton and other systems of spinning and wool processed into felts and knitgoods, in addition to wool processed into woven cloth. In 1939, these other industries used about 16 percent of the total apparel-wool consumption. They were a smaller proportion during the war.

Manpower: From the Bureau of Labor Statistics. This series is not strictly comparable with the other series as it includes employees in Carpet and Rug Yarn industries and excludes employees in the Dyeing and Finishing Woolen and Worsted Fabric Industry. Employment in the Woolen and Worsted Industry was likely to have been slightly larger than this series shows, during the war.

More than half of the exports of wool manufactures, from 1942 through June 1945, consisted of wool cloth exported to Russia under Lend-Lease. There also were sizable exports of wool apparel to the United Kingdom and Egypt in 1944 and the first half of 1945, under Lend-Lease. Exports were more widely distributed geographically, with no one country predominating, in the last half of 1945 and in 1946. They were financed mostly through Lend-Lease and UNRRA funds, though commercial exports began to assume some importance. In addition to exports a small quantity of "War Aid" clothing was produced in this country and distributed by the Army in countries abroad that were occupied by our troops.

Government Purchases of Wool Fabrics Long before the United States entered the war, Government buying of wool textiles became an important factor in the domestic-wool situation. Under the National Defense Program the Army Quartermaster Corps, in June 1940, entered the market for large quantities of wool cloth and blankets. From that time on, attention of the industry was largely centered in the purchasing activities of the various military agencies. The Army Quartermaster Corps was by far the largest buyer. In addition to materials bought for U.S. Army maintenance (including a large part of Air Force requirements), this agency bought substantial quantities of cloth for war aid, and for the fabrication programs of the Army, abroad. It is estimated that the Quartermaster Corps procured about 85 percent of all Government purchases during the war period; as a consequence, their purchase policies were the most influential in the market, although purchases of the Air Force, War Shipping Administration, Navy, and Marine Corps were important.

Much advance planning preceded the Quartermaster Corps' request for bids. The General Staff itself made advance estimates of the number of men that would be in each branch of the Army and in each theatre of operation, and roughed out the general operational plans. Then a group within the QMC determined in more detail the equipment required. A second group broke the requirements down into their components.

The QMC followed a general policy of furnishing component materials to contractors for the manufacture of coats, jackets, trousers, shirts, and other garments. Orders were concentrated in a few basic constructions. Deliveries of 18 oz. serge and 10 1/2 oz. flannel shirting constituted almost 90 percent of the total worsted-cloth deliveries. The combined deliveries of blankets, 21 1/2 oz. napped cloth, 32 oz. melton and 12 oz. flannel constituted an equal percentage of the total deliveries of woolen cloths and

blankets. The Quartermaster Corps made its principal purchases twice a year, covering deliveries during each half of the calendar year. Purchases generally were made, where possible, by first inviting bids for fabrics of certain minimum specifications with definite delivery dates indicated; the later contract awards were forwarded to those making the lowest bids. 19/ Delivery was either made directly to garment manufacturers who had contract awards or to depots for stock. In some depots a part of the wool textiles were fabricated into clothing by civilian employees but most uniforms were made under contract by commercial clothing manufacturers.

The first Army orders under the Defense Program were announced in June 1940. In August, the Navy and Marine Corps began buying. A succession of purchases of these three agencies in the last half of 1940 resulted in total Government orders, in 1940, for about 71 million yards of woven wool cloth and blankets, compared with a 1935-39 average for Government agencies of about 4 million yards a year (table 5). In 1941, purchases of woven wool cloth and blankets by the three military agencies totaled about 123 million linear yards. Thus, even before Pearl Harbor, Government purchases for military and export on a yardage basis were at a rate equivalent to approximately one-third of the 1939 rate of total production by the industries. Purchases for civilian use also increased rapidly in 1941, resulting in a large expansion of the industry. This expansion during the period before Pearl Harbor, when labor was available, was of great significance for it placed the industry in a position to meet the heavy military demands that were to follow.

The purchasing of wool fabrics and blankets before Pearl Harbor was based upon an authorized Army of 1.4 million men. With the rapid expansion of the services under war conditions, Government purchases increased sharply. In 1942 they reached a record total of 227 million linear yards, equivalent to three-fourths of 1939 total production for all uses; the 1942 military requirements alone required 51 percent more wool than was used for all purposes in 1939. Meeting these large requirements was accomplished largely through WPB conservation order M-73.

The heavy initial requirements for equipment of men coming into the services and for stocking overseas depots had been met by the fall of 1943. The size of the Army was being stabilized, buying was chiefly for replacement, and requirements dropped sharply. Orders placed in 1943 were little more than half as large as the 1942 orders. The downward trend in military procurement continued until the latter part of 1944, when extremely heavy requisitions received from the European theater

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19/ There were times during the more active procurement periods when the Army Quartermaster Corps found that insufficient bids were submitted as the output of most mills was already scheduled. Contracts were then frequently awarded and forwarded to mills which had not submitted formal bids. In the absence of more definite agreement, the contracting price would be that determined under Maximum Price Regulation 157, the OPA regulation covering wool textiles and yarns sold to War Procurement Agencies. MPR 157 provided that the maximum price on sales (with some exceptions) was not to be higher than the maximum sales price of the mill on such items for the year ending April 1, 1942.

for all types of clothing resulted in rapidly increasing requirements for wool cloth and blankets. The rate of procurement increased sharply, and for the first 6 months of 1945 was equal to the 1942 record rate.

Some changes in specification were made by the Army during this period to utilize all of the industry's worsted facilities. Shirtings made of all wool instead of the 80/20 wool and cotton mixture, and serge with woolen yarn filling was accepted. Such changes in specifications helped to relieve the facilities for combing and fiber mixing (melage boxes) which were proving a real stricture to increased production. The Army had previously permitted the use of reworked wool in some of its military orders, particularly meltons, in order to conserve supplies of raw wool.

When late in April 1945 it was apparent that the cessation of hostilities in Europe was imminent, the Army procurement schedules were reviewed. It was found that current delivery rates should be continued in most cases through the third quarter of 1945 but the trend of requirements was distinctly downward during the next few months.

When the Japanese offered to surrender, early in August 1945, the War Department had about 33 million linear yards of undelivered contracts outstanding. Decision was reached to cancel practically all procurement for the fabrication program except for some orders for War Aid. Notice of termination of contracts was immediately dispatched. "Stop-work" points in the fabrication process had already been established, and mills cleared their machines of work in process as they reached these points. On September 1 the Army terminated all remaining contracts outstanding. Deliveries under terminated contracts was practically completed by the end of October.

Purchases and deliveries of wool cloth and blankets by the military services, 1940-45, are shown in table 5. Government orders were largest, by far, in 1942, but because of the considerable time required for production, deliveries in 1943 were only moderately smaller than in 1942. In both 1942 and 1943, military and export orders accounted for slightly more than half of the yardage of woven fabrics produced by the wool manufacturing industry. But because of heavier weight of military fabrics and their extensive use of all wool constructions, a much larger percentage of raw wool and more labor per unit were required for their fabrication than was the case with civilian fabrics (table 4).

Table 5. - Estimated purchases of principal woven cloths and blankets wholly or in part of wool by the Army, Navy, and Marine Corps for World War II

Item	1940	1941	1942	1943	1944	1945	Total
	1,000 yds.	1,000 yds.	1,000 yds.	1,000 yds.	1,000 yds	1,000 yds.	1,000 yds.
Purchases							
Army	65,662	114,667	226,572	111,811	88,300	116,270	723,282
Navy	4,050	6,428	39,980	34,350	23,445	7,720	115,973
Marine Corps	1,446	2,060	10,485	4,930	5,734	1,641	26,296
Total	71,158	123,155	277,037	151,091	117,479	125,631	865,551
Deliveries							
Jan.-June							
Army		41,355	74,555	107,605	39,925	91,915	355,355
Navy		2,340	6,685	19,970	18,665	13,325	60,985
Marine Corps		660	2,530	5,515	2,430	3,125	14,260
Total		44,355	83,770	133,090	61,020	108,365	430,600
July-Dec.							
Army	25,165	41,955	122,660	65,720	42,030	36,190	337,720
Navy	1,935	3,240	12,865	20,355	12,025	4,575	54,995
Marine Corps	655	925	3,375	2,330	3,005	1,220	11,510
Total	27,755	46,120	138,900	88,405	57,060	41,985	400,225
Year							
Army	25,165	83,310	197,215	173,325	81,955	128,105	689,075
Navy	1,935	5,580	19,550	40,325	30,690	17,900	115,980
Marine Corps	655	1,585	5,905	7,845	5,435	4,345	25,770
Total	27,755	90,475	222,670	221,475	118,080	150,350	830,825

From 1945 Bulletin of National Association of Wool Manufactures. Blankets were converted to linear yards by using the factor 2.35. Purchase and delivery totals do not agree because of cancellations and transfers.

The general administration and operation of the military procurement program was satisfactory on the whole. Military orders for wool textiles were very large, requiring for their fulfillment roughly half of the productive capacity of all mills during the war. As production for civilian use declined on the average only 13 percent below 1939 levels during 1942-45 considerable expansion of output was necessary. The actions taken by other Government agencies made the task of the military procurement agencies less difficult; fulfillment of requirements would probably not have been achieved without their help. But the fact that wool-textile production was expanded greatly and yet was accompanied by few economic dislocations within the industry is due in no small part to the policies followed by the Military Procurement agencies.

In spite of the over-all success of its program some improvement in Military Procurement operations during World War II would have been desirable. During much of the Government purchase program, buying for delivery during the first half of the calendar year was made during the preceding fall, and orders for delivery during the second half of the calendar year were placed in the spring. This schedule of orders did not fit in well with the seasonal pattern of the wool-manufacturing industry and may have hindered full use of all facilities, since mills were reluctant to schedule civilian production until total military requirements were known. According to a technologist who is closely associated with the wool industry and was also connected with planning and cheduling of production of Army orders during the war, more efficient procurement would have been possible if large Government purchases had been made at the time the domestic wool clip was arriving at Boston and other central markets, and if procurement to cover deliveries during either the spring or fall manufacturing season had been placed before the mills planned their civilian business for the season. Any additional steps that the Military Procurement Agencies could have taken to remove some of the "uncertainties" of their future actions would have been of great help in the forward planning of mill schedules.

It would have been better if more flexibility in specifications on wool textile manufactures could have been permitted. Some alterations in fabric specifications were made by the Quartermaster Corps during the war and research is now underway on this matter.

The experience in the war indicates that it is not generally desirable to use a military procurement program to further other objectives, for they may at times run counter to the original purpose of the procurement program, unless arrangements have been worked out to harmonize these objectives where they may conflict.

The wool price support operations conducted under the military procurement program during the early part of the war serve as an illustration. The procurement program did not furnish a steady market for domestic wool but created a market that had great fluctuations in demand. If the military procurement program were again to be used to support domestic prices it should provide a ready market for the domestic clip, possibly by outright purchase and distribution to mills that are fulfilling military contracts.

The industry proved to be capable of large expansion during the war and was large enough to meet all essential wartime requirements. The wartime limitations on the production were due to shortages of raw material and labor and indicated the need for maintaining emergency wool reserves and adequate manpower in the industry beyond the mobilization period. The industry's vulnerability to war damage because of concentration in the north-eastern part of the country was not tested.

Importance of Controls. The control of mill consumption of apparel wool was the most important Government action taken on wool during the war as it constituted the core of the control program. Most consumption controls were placed at the initial stages of wool put in process. This was logical because controls at this point were most easily administered and there was little possibility of loss of apparel wool through black-marketing. The demand for apparel wool for fabrication on farms or in homes was likely to remain small.

The Priority Regulation

Priority Regulation Number 1 was the general mobilization directive used to place all domestic industries on a war footing. The order was issued under the emergency war powers of the President by the WPB on December 24, 1941. The regulation occupied an important position in the wartime mobilization of industry and provided the basic framework for organizing industrial resources for modern warfare, in which success is contingent upon ability to produce munitions. So broad was its scope that practically all commodities in all stages of manufacture fell within its purview.

The purpose of this regulation was to favor the fabrication of essential goods. Orders were rated according to their contribution to the war, and the more necessary orders were to be produced first. Definite rules were prescribed in the regulation for the acceptance of rated orders. In general, producers

were required to accept any rated order if delivery on it could be effected on schedule. No order had to be accepted, however, if the price was lower than "regularly established prices" or if the material were not the kind usually produced, or if such order required delivery within 15 days and this disrupted a production schedule. Where later acceptance of an order of higher rating delayed delivery on a order of lower rate already accepted, beyond the delivery date specified in that order, delivery on the postponed order was to be effected as soon as possible. The order had the usual requirements regarding complete and accurate records, submitting reports as requested, and making the record available for audit. All materials produced under rated orders were to be used only for the purpose specified in the order.

The Director of Priorities established the rules and regulations for the assignment of priorities and the priority certificates were issued under his direction. A sequence of 30 priorities was originally set up, AA being the highest rating. A rating of at least A-10, the 21st rating in the sequence, was given to all defense orders, which in general included military orders, orders for U. S. Government Agencies, and orders for the account of Allied Governments. The priority rating assignments were rather fluid during the war, and were changed frequently as unforeseen emergencies arose. In administration there was a tendency toward the assignment of higher priorities than were warranted and somewhat inflated rating schedules were prone to develop.

The order served as an important background control within the wool industry as in many other industries, but was supplemented by more specific controls on production. Relatively few priority assignments were used during most of the war in the woolen and worsted industry as mills were generally able to meet the most essential needs currently. The detailed control which this order provided was achieved less formally through frequent conferences between wool manufacturers, WPB officials, and representatives of the various military procurement agencies, at which current developments and requirements were discussed. A very large part of all essential orders were let by the Quartermaster Corps (about 85 percent of all military orders) and by a few other military procurement agencies and, until 1944, production for civilian use was kept relatively small. Priority schedules which the military agencies incorporated into their contracts, in effect became priority assignments.

In the fall of 1944 and early in 1945 rating assignments were made extensively for use in connection with M-73 "mill freezes" when mill facilities were inadequate to handle the volume of military orders. This became necessary as controls on wool put in process, for civilian use had been dropped at the end of 1943 and a large quantity of wool cloth was on order for civilian apparel. The priority control was used very successfully during this period in effecting a rapid changeover to military orders.

The Wool Conservation Order

The wool conservation order was the most important industry war mobilization order within the wool-textile field. It received its name in the early part of the war when it was used to restrict the consumption of raw wool for civilian use and through blending and other devices to foster a larger production of civilian fabrics from the limited raw-wool supplies. A secondary purpose for which the order was used during this earlier period was to increase the number of mills taking military orders by severely limiting the non-military production in each mill.

Mill Quotas for Civilian Fabrics. Specific quotas regarding the quantity of raw wool that each mill could process into civilian fabrics were set in the original order (M-73, effective January 3, 1942). The quotas were generally set for a period of 3 months and in each case was based on a mill's consumption of wool during the first half of 1941. They were determined by taking a fixed percentage of one-half of the scoured wool the mill had put in process during the first half of 1941 (termed basic quarterly poundage). In table 6 these percentages for the various periods are shown.

The quotas did impose a definite restriction on the output of civilian fabrics by mills (table 3). But the seeming severity of these restrictions was mitigated by the fact that there has been a high rate of activity during the base period. During the first half of 1941, mills generally had large military orders and were operating on a two-to three-shift basis. Apparel-wool consumption was at a then record high, and was not far below the peak consumption attained later in the war. Mill consumption in the first half of 1941 was 84 percent above the average rate for the 1935-39 period[20] (scoured basis). In April 1942 the quotas were reduced enough that production for civilian use could not be sustained at prewar levels.

20/ Mills obtained fuller use of existing plant and equipment by "around the clock" operation. In 1939, machines in the woolen and worsted industry were operated one shift of about 40 hours per week, on the average. During the early part of the war, however, in some of the earlier preparatory operations, like scouring, spinning and combing, machines were in almost continuous operation at times, whereas in later operations like weaving, dying, and finishing, machines operated for two shifts or less. Manpower to attain multiple shift operation was arranged both by increasing the length of the work week and by taking on more workers.

Table 6.- Maximum permissible rate of wool put-in-process for civilians under Wool Conservation Order M-73 compared with the actual rate for all purposes in the first half of 1941, by system of manufacture 1/

Period	Maximum raw wool content				Carpet
	Worsteds		Woolens		
	Unlimited	65 percent	Unlimited	65 percent	
	Percent	Percent	Percent	Percent	Percent
1942					
Jan. 4 - Apr. 4	50.0		40.0		50.0
Apr. 5 - July 4	20.0		10.0		25.0
July 5 - Aug. 2 2/	20.0		10.0		23.0
Aug. 3 - Jan. 31 3/	(10) 12.5	(12.5)15.0	2.5	(12.5)	25.0
1943					
Feb. 1 - May 2 4/	15.0	20.0 (2.5)	5.0	(12.5)25.0	25.0
May 3 - July 31 4/	(15) 30.0	(20) 40.0 (2.5)	5.0	(12.5)25.0	25.0
Aug. 1 - Jan. 29 4/ 5/	70.0		50.0		15.0

Figures in parenthesis are quota rates before amendment. With the improved supply conditions the WPB was later able to increase these quotas.

1/ In M-73 quotas were generally set for 3-month periods and expressed as a percentage of one-half of the wool a mill put in process, during the first half of 1941, termed basic quarterly poundage. In addition, mills were allowed a bonus for the use of coarse wool between April 5, 1942 and June 2, 1943, see text page 49.

2/ Approximate. The actual quotas for the 4-week period were 6 percent for the worsted system, 3 percent for the woolen system, and 7 percent for the carpet system.

3/ There was also a special quota for knit goods not to exceed 10 percent of the basic quarterly poundage. It was alloted to spinners on October 30, and wool used under this quota had to be in process by January 15, 1943.

4/ Minimum quota for individual worsted mills during this period was 2,000 lbs. of grease wool for unlimited wool fabrics and was 3,000 pounds for fabrics containing not more than 65 percent raw wool. On the woolen system these minimum quotas were 800 pounds and 4,200 pounds respectively.

5/ By an amendment of June 8, these increased quotas were also extended to the previous period. All quotas were eliminated November 19, 1943.

Imposition of these quotas simplified the military procurement problem. As mills had attained a high level of output during 1941 and then were forced to curtail their non-military output they were faced with the alternatives of either reducing total output or accepting military orders. Naturally they chose the latter course. Practically all mills were brought into the war-production program. During the first quarter of 1942, when the larger quotas were in operation, an alternative method of spreading the military orders through all mills was attempted. A quota of 80 percent of the mill's basic quarterly poundage covering both military and civilian orders, was fixed for each mill which continued to produce civilian goods. As this requirement served to restrict total output rather than the output of civilian goods, it was abandoned in favor of the stricter quotas.

Blending. Mills did a very satisfactory job in filling military orders during the first half of 1942. On the civilian side, however, output dropped decidedly. To encourage a large production of civilian fabrics from the limited supply of raw wool alloted, WPB included a number of special provisions in the Wool Conservation Order. (1) Beginning March 1942, rayon viscose staple fiber manufacturers were required to set aside a small percentage of their production for purchase by worsted manufacturers (acetate staple producers were added in June). (2) In April 1942, a bonus of wool over and above the quota was provided for the use of coarse wool and grown mohair in the production of civilian fabrics: the bonus was 2 pounds of coarse wool or mohair on the worsted system and 5 pounds on the woolen system per pound of coarse wool or mohair used within the mills wool quota (3) Blankets were restricted to an 80 percent wool content in April 1942; somewhat later this was reduced to 65 percent. (4) In August, the WPB restricted the larger part of each mill's quotas to fabrics which contained not more than 65 percent of raw wool (table 6). The wool-content restriction did not apply to mohair after August 1942 when it was removed from under the order, nor to reworked or reused wools, nor to coarse wools.

Partly because of the resulting "blending," there were important changes in the composition of fabrics. Table 4 shows that there was a considerable drop in the wool content of civilian fabrics from 1935-39 to 1942. The 1935-39 mill. consumption (scoured basis) per linear yard of civilian fabric was .7 pounds compared with the estimate of .5 pounds in 1942. This decline in wool content was a combined effect brought about by the blending operations referred to, and the shift toward a lighter type of fabric construction. Fabrics for women's wear comprised a higher proportion of the civilian total in 1942 than in earlier years.

Carpet Production. Along with the restrictions on production of civilian fabrics in the woolen and worsted industry, drastic restrictions were imposed on carpet-makers. This was partially a conservation program as the carpet industry normally uses fibers which were needed in the war and were in short supply, such as hemp and some grades of coarse apparel and carpet wools. It was also a conversion measure as it forced these mills to convert to the manufacture of blankets, canvas duck, camouflage materials, and other needed items.

In April 1942 the use of wool in floor coverings and in drapery and upholstery fabrics was prohibited except upon rated orders. In the original order the definition of wool subject to quota limitation had been broadly phrased and included all carpet wools and related hair fibers, along with apparel wools. In June 1942, a limited quantity of coarse carpet wools were freed from quota restrictions, but it was not until October, when about 30 million pounds of carpet wool was released for use in floor coverings, that there was enough raw material to permit the manufacture of floor coverings for civilians in appreciable volume. Even when the other quotas were eliminated in late 1943, some prohibition against the use of apparel wool in the manufacture of floor coverings was maintained. The reduction in carpet production during the war is reflected in the mill consumption of carpet wools. During 1942-45 the consumption of carpet wool averaged only 60 million pounds, (grease basis) compared with 190 million pounds in 1941, and a prewar (1935-39) average of 137 million pounds.

Directives to Mills. Supplies of wool were considered ample by the end of 1943, and all quotas were eliminated except those on the finer grades of alpaca. Military procurement had slackened and the industry could turn toward the production of more civilian fabrics. Output of civilian fabrics during 1944was 50 percent higher than the low 1942 output; it approached the volume of 1939. The function of the Wool Conservation Order began to change. The order was originally used to conserve supplies of raw wool. In the meantime, employment in the industry had been declining since December 1941 and was proving to be a limitation on mill capacity. In 1944 the WPB began to use the order to control and direct the output of mills in those fields in which supplies were not sufficient to cover all requirements.

Manpower. The woolen and worsted industry was seriously affected by the considerable shift in manpower toward the armed forces and the war industries. Employment in wool industries had reached a peak of 198,900 by December 1941, but thereafter it declined steadily till a low point of 147,000 was reached on VJ-Day. To accentuate this decline in numbers, the character of the labor force was changing.

There was considerable labor turn-over within the industry and a scarcity of skilled workers began to be felt particularly in the combing branch of the industry in 1944. Bureau of Labor reports show that, during 1942-44, out of every 100 workers employed in individual establishments within the industry, the employment of 65 was terminated annually; most of the workers left voluntarily. To offset these separations the firms were able to hire 57 new employees annually, per 100 on the payroll. It can be supposed that many of these changes represented either seasonal or part-time workers or were workers who took other jobs within the industry, but apparently there was a considerable mobility of labor during this period.

Counteracting the decline in employment was the further increase in the length of the work week and an increase in productivity per worker. Hours worked per week, per worker, increased from 40.1 in December 1941 to 42.3 in June 1945. However total number of hours worked weekly within the industry during this period fell from 8.0 million to 6.5 million, a decline of 19 percent. Apparently most of this reduction was offset by increased productivity per worker, as is brought out by a study published by the Bureau of Labor Statistics. This study found that productivity per worker increased 16 percent from 1942 to 1944 (table 4).

Mill Freezes. Military orders were relatively light during most of 1944 and the industry was able to fill the most essential requirements, although some directives were issued to meet localized shortages. In August, the production of melton snowsuit cloth was channeled into children's snow suits and similar garments, as the supply of these was limited. Just before this, a suddenly expanded military demand for high-necked sweaters had required a directing of all knitting yarns made on the Bradford system to rated orders. Increased demands from the Army for socks and underwear were also handled in this way. When large military orders for blankets and overcoating were to be placed in September 1944, an innovation was used. The urgency of these orders was publicized, with the implied possibility of further action if voluntary placement was not obtained. The industry responded, and all orders were placed without any administrative action being required.

The output potential of the industry in late 1944 was inadequate to handle the large military requirements that suddenly arose, and general directives or "freeze" orders were necessary. The volume of deliveries required under these military procurement orders was about as high during the ensuing 6 months as in 1942. On December 14, 1944, the WPB amended Direction 3 to

freeze all worsted facilities for production against rated orders, except for top combed exclusively of carpet wool or mohair. No similar order was issued covering the woolen branch as this was not deemed to be practicable. In its stead, directives were sent to each individual producer by the WPB. One of the principal bottlenecks in production was in the combing process. Expediting teams were organized by the Army to visit combing mills in an effort to increase the output of top, which was needed not only for the large worsted-cloth requirements but also for increased requirements for part-wool socks and underwear.

It was not until June 1945 that the freeze orders were relaxed. Mills were still producing for military orders in considerable volume until VJ-Day. Shortly after that the Government cancelled most of the outstanding military contracts. The Conservation Order was revoked in September 1945.

Administration of Wool Conservation Order. In general, it can be said that the Wool Conservation Order was well designed and effectively administered, and that its purposes were achieved. It was very well accepted by the industry even though it probably imposed more rigid control over the activity of woolen and worsted mills than any other governmental regulation. Success was probably due largely to the fact that several of the WPB officials were former industry men who worked closely with industry representatives in the development and execution of the program. There were frequent meetings of industry representatives with WPB officials at which problems of the industry were discussed and the WPB objectives were presented. The wool-manufacturing industry is old and closely integrated and organized. Its National Association is strong and so became its recognized spokesman.

Because of this close cooperation, the technical administration of the Wool Conservation Order did not present a problem. As usual in orders of this kind monthly reports of stocks on hand, wool put in progress, etc., were required. These reports were summarized by the Bureau of the Census for WPB and were used in administering the program.

M-87

M-87 was a restriction order of minor importance, issued in March 1942. It prohibited the sale and use of olive-drab wool waste, clips, and rags, except to fill orders of the War or Navy Department. Its purpose was to increase the supply of these materials available for military orders. As there proved to be very little military demand for this wool waste the order was revoked in June 1943.

PRICE AND PRODUCTION CONTROLS ON WOOL MANUFACTURES

When attention is turned to apparel production and distribution, a large dispersed industry is encountered which is decidedly in contrast to the small, concentrated, closely integrated wool-textile industry which has been under discussion. At the retail end, this difference is particularly evident. Here the wool-apparel industry embraces a large number of retail stores-an appreciable proportion of the total, and they are widely distributed geographically. Considering the limited resources available for control during wartime, it seems advisable to have the regulations regarding wool apparel simple but yet adequate. Such a combination is rarely attained, because adequacy requires particularized treatment which simplicity does not permit.

The regulations of the War Production Board were less affected by these considerations than were those of the Office of Price Administration for WPB could concentrate its efforts more on the primary stages of production. The general plan adhered to by the WPB provided for firm regulation and allocation of wool put-in-process but for a minimum of control in later stages of wool manufacture. On the other hand, OPA's efforts at price control had to be directed with about equal incidence at all stages in the wool-manufacturing and marketing process.

Government regulations discussed in this section have been divided into three groups. The controls on prices for textiles are considered first; next come price and production controls on wool-apparel items, and then the regulations originated in connection with the development of the low-cost clothing program of the WPB and the OPA, in 1945 and 1946. Production controls on wool textiles were discussed along with wool consumption controls in the preceding section.

Price Controls on Wool Textiles

Price control relating to wool textiles was a progressive development during 1942. In April, 1942 maximum prices on wool textiles were first established under the General Maximum Price regulation. This was an emergency regulation, rather general in character. It required that maximum prices on most commodities be no higher than the highest price received by the seller during March 1942. All wool manufactures from the top and yarn stage through to finished garments sold at retail were covered by this order, and all sales by manufacturers, jobbers, and other factors not covered by specific price orders.

MPR-163. Prices for woolen and worsted civilian apparel fabric except those sold at retail were exempted from the pro-

visions of GMPR in June 1942 and were placed under a new order, maximum price regulation 163. This order applied to wool goods containing 25 percent or more of wool fiber woven on looms, and included the following items, when produced within the United States: men's, women's, children's and infants suitings, dress goods, top coatings, shirtings, and meltons. The regulation was rather complicated when issued and was changed materially by amendments in June and July 1942. Following the issuance of amendment 4 on September 2, 1942, it was not changed substantially however until the middle of 1946.

After this September amendment was issued the order provided four broad but distinct pricing formulas. They applied to individual mills. The first formula was for base-period fabrics, that is, fabrics sold by the mill during the preceding season. Fabrics falling within this formula were divided into four classes of fabrics on the basis of method of dyeing and the selling season, and it provided a separate classification for manipulated fabrics. Price increases of from 10 to 30 percent were allowed over standard opening prices of the preceding season for the various classes of base- period fabrics.

The second formula applied to fabrics deemed comparable to base-period fabrics. Comparable fabrics were defined as fabrics substantially the same as base-period fabrics, of the same class, but manufactured from different blends of raw materials. They could vary only 10 percent in number of ends and picks per inch, in weight per yard, and in yarn size, and 4 percent in width. The maximum price of a comparable fabric was to be the same as the maximum price of the base-period fabric with which it was compared except for an allowance for actual differences in raw-material costs based on March 1942 prices.

The third formula applied to "similar" fabrics. Fabrics were deemed similar to base period fabrics when they were regarded as a satisfactory substitute, afforded equivalent serviceability, had approximately the same handle, finish, and appearance, and were of the same class. No "blended" fabric could be considered similar to one made entirely of wool fibers. The maximum allowable variation in specification from base period fabrics for similar fabrics was 17 1/2 percent for ends and picks per finished inch, and yarn size 12 percent in weight per yard, 4 percent for width and 20 percent for raw-material cost used in the blend. In deciding their maximum prices for these fabrics, mills could make price adjustments for differences between similar fabrics and base-period fabrics in both raw-material costs and manufacturing costs; March 1942 prices were used in these adjustment calculations.

The fourth formula applied to any new fabric which was not covered in the three preceding formulas. In this case the mill calculated its maximum price on the basis of (a) the raw material costs, (b) the manufacturing costs, and (c) a gross profit based

on previous operations. Costs of materials and manufacturing were to be determined on the basis of March 1942 prices, while gross profit was based on the mill's operations during 1941. In addition to these four formulas, mills were allowed to seek adjustment of established maximum prices by appeal to OPA. If the OPA found that such fabric was essential and that its maximum price either was low in relation to competitors or was not covering costs, or if the mill was operating at a loss (or would be within 90 days) then adjustment was permissible. A number of mills took advantage of this adjustment procedure.

When we consider that mills produce many nonstandard items, the weaknesses in this price-control order becomes evident. Chester Bowles, when Price Administrator, poignantly described textile and apparel price control as, "America's Number One civilian headache."21/ Distinctiveness rather than uniformity of construction has been the goal in fabric manufacture. Most mills had produced many different fabrics, designed for different selling fields. Some fabrics were for large-scale production at minimum profit per unit, destined for low-income groups; others had been produced on a smaller scale for specialized markets having higher per-unit costs. Demand for all fabrics was high during the war.

Most mills found it advantageous to shift toward large-scale production of fabrics of higher unit cost either of new design or already in production, as ceilings on these fabrics were higher. This was relatively easy to do under the various formulas and appeal provisions of MPR-163. Another element fostering this shift was the "blending" program of WPB under M-73 which required that mills, during 1942 and early 1943, use less new wool in their fabrics than they had formerly done. Many mills made a distinct shift from base-period fabric production to comparable, similar, and new fabrics during this period.

There is some disagreement about the effectiveness of price-control order, MPR-163. The published indices on prices for wool textiles do not show much increase in price while it was operating. The most prominent index in this field, the index of the Bureau of Labor Statistics showed a change of less than 2 percent over the 4-year span from April 1942 to April 1946. On the other hand, data collected within the OPA from mills producing about half of the total 1945 civilian yardage showed that the weighted average of mill selling prices had risen 18 percent from 1941 to 1943 (a smaller sample indicated that about 10 percent of this rise occurred from 1941 to 1942 and a further increase

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21/ Chester Bowles, "Crisis in Clothes," Collier's, Jan. 19, 1946.

of about 6 percent occurred from 1942 to 1943) and 8 percent from 1943 to 1944. The OPA data also revealed further rises in wool-textile prices during 1945 and 1946. As consumers' disposable income was at record high levels during this period and as the production of civilian fabrics per capita was about 10 percent below the prewar average, some pressure on the ceilings established by MPR-163 could be expected. Pressure apparently was felt and led to the development of many comparable, similar and new fabrics. This shift to new constructions was not reflected in the BLS data and so their price index did not reflect average price developments in this field.

Even if the OPA determinations are accepted, however, it appears that the rise in prices for fabrics from January 1942 until December 1946 was in the neighborhood of only 20 to 30 percent. This is rather moderate compared with price rises in other fields. During this same period, wholesale prices of all commodities rose 47 percent. As the demand-supply situation in regard to wool textiles appeared to be such as to foster price changes of at least the same magnitude as for commodity fields generally, MPR-163 was evidentally successful in suppressing some of the price rises which probably would have occurred otherwise. It is unfortunate, however, that the design of that order fostered a shift to the production of the high-priced rather than the moderate and low-priced constructions of wool cloth.

MPR-157. A regulation for determining maximum prices on wool textiles and yarns and related items sold to War Procurement Agencies, was issued in June 1942 as MPR-157. It applied to all sellers who, after July 1942, made deliveries or supplied fabrication service to the armed services, which were identical, except for changes in specification, with deliveries and services supplied prior to April 1, 1942 (later limited to the year ending April 1, 1942). It replaced GMPR for sellers insofar as they had sales of the same fabric during the 12 months ending April 1, 1942. Sales that did not meet these specification were not covered nor were emergency contracts specifying immediate delivery, or of a secret nature. The regulation did not cover sales in which maximum prices were in effect under some other regulation as, for example, the dollar-and-cent maximum prices on 10 1/2 oz. shirting flannel set under RPS-58. Nor were sales to Army canteens or post exchanges and ship's service included in the order. But even with all these exceptions the order still covered most of the sales of military fabrics. Each mill's maximum prices for the various items were set at the highest prices at which delivery or supply was effected during the base period, though an adjustment for increases in material and labor costs up till March 1942 was

permitted. Where specifications (including delivery) were altered, maximum price was to be adjusted, up or down, for related changes in costs.

Although MPR-157 was less definitive than was MPR-163, it apparently did a better job in controlling prices primarily because of the different market. There were relatively few war procurement agencies and most procurements were from the Army Quartermaster Corps. The military agencies made large purchases on specification and kept accurate records of preceding sales. Mills were required to accept military contracts, and there were no restrictions on the use of new wool in these contracts. Under these circumstances, price control was relatively simple and to a certain extent was less necessary, because of the preponderant influence of the buyer. That the price regulation was of a "freeze" type did not prove to be a serious disadvantage because military orders contained definite specifications which generally remained unchanged during the war and because the adjustment policy of the OPA under this order was more liberal. At first through the efforts of the procurement agencies, and later through M-73, most mills had been brought into the war procurement program during the base period, and hence came under the provisions of this order.

The two orders MPR-163 and MPR-157 were the most important price orders covering wool fabrics during the war, but the following were of some importance. MPR-127 was issued in April 1942; it covered all woven fabrics more than a foot wide and containing at least 75 percent of cotton and rayon by weight. Processors' maximum prices generally were determined by formulas based on actual costs, and fixed percentages markups were specified for jobbers, wholesalers, and retailers although later some dollars and cent prices were set for specified constructions and finishes. MPR-128 was a complementary order. It fixed the maximum price for further processing of piece goods, covered in MPR-127, to the highest price received for these services between March 16 and April 15, 1942. MPR-39, effective July 1942, covered all woven decorative fabrics (including those containing wool and mohair) customarily used for furniture and furniture coverings, floor coverings, draperies, bedspreads, and automobile slip covers. This regulation allowed a 5-percent mark-up above the list prices in effect September 10, 1941 in the case of manufacturers, and November 10, 1941 in the case of jobbers.

Controls on Wool Apparel

In the apparel field, which rests on the periphery of our subject, there were many regulations regarding wool and part-wool items. The OPA alone had about 20 regulations on prices for wool apparel and the WPB had a somewhat smaller number of regulations limiting apparel production.

Orders Simplifying and Standardizing Garment Design. Efforts of the WPB directed toward control in the wool-apparel field before 1945 were limited to orders simplifying the design of garments. The general purpose behind these orders was twofold: (1) to conserve wool. Later, as wool became more plentiful the emphasis was shifted to savings in cloth and labor in garment production. (2) To preclude obsolescence due to changes in style of garments already in consumers' wardrobes as well as those manufactured later. The WPB estimated that savings of 5 to 15 percent in fabric and in labor would result from these regulations. The second objective, elimination of changes in style appeared to be necessary in this period of rising incomes. Although most of the orders regarding garment design aimed to accomplish both these purposes, the emphasis in men's and boys' wear was more toward simplification, for style changes normally are not frequent there; whereas in women's wear the emphasis was directed toward the maintenance of early war period styles with relatively little change.

The first of these order, M-73A (later replaced by L-224), concerned men's and boys' clothing. Issued in March 1942, it laid numerous restrictions on clothing manufacturers. Two-trousers suits were prohibited, as was a vest with a double-breasted coat; cuffs on trousers, patch pockets, and pocket flaps were also eliminated. The maximum length, width, sweep, and other measurements of various pieces of clothing were specified and these measurements were not to be exceeded. This order was not revoked until late in 1946.

As was to be expected, some consumer resistance to the garment regulations developed. The cuff limitation was an example; the order caused no changes in manufacturing methods but operated so as to restrict retailers from finishing trousers with cuffs. Retailers were continually under pressure to finish them with cuffs; many customers bought them unfinished and had the cuffs put on elsewhere, or did it themselves. Retailers often pointed out that the material saved by this regulation had to be converted to reused wool and then its usefulness was limited. The prohibition

on cuffs was removed in June 1943. Perhaps a more serious criticism of the order is that its prohibition against two-trousers suits was probably inadvisable. It is generally conceded that the wearability of suits is determined by the trousers as these usually wear out faster; in most cases a coat will outlast two pairs of trousers.

L-85 might be called the feminine counterpart of the above order. It was issued in April 1942 and imposed numerous restrictions on manufacturers of feminine apparel. It specified the maximum length, width, and sweep of the various garments, but because of the importance of style, the order was based on the styles then prevailing. In May 1943 the order was recast so that feminine apparel was divided into 5 garment groups, roughly on the basis of age of wearer. Specific schedules in the order listed the restrictions for each group.

A difficult situation developed in early 1946 when part of the women's wear industry, presuming a revocation of L-85 along with the general relaxation of controls that followed VJ-Day had manufactured garments for the spring that were in direct conflict with the order. It would have taken extensive alterations to make them conform to the order and removing of the garments from the market did not seem advisable in view of the high demand for apparel. So WPB finally amended its regulations and permitted their sale. Perhaps a stricter inspection program would have prevented such a development but until this time the industry had cooperated reasonably well and strict enforcement efforts had not appeared to be warranted.

The WPB did not impose restrictive specifications on civilian blankets until April 1943. In order M-298 the maximum lengths and widths of the various blankets were specified as well as the width of binding, the fiber blends, and the color range. This order was revoked in November 1944. L-130 and L-118 concerning the manufacture of men's and women's wool lounging wear, respectively did not affect wool apparel until 1943 as no wool could be used in the manufacture of lounging wear during 1942. These orders set forth maximum measurements and specific prohibitions to be observed in their production. They were revoked in 1946.

These orders regarding garment design appear to have been reasonably successful in saving material and labor. It is also generally conceded that they minimized style changes during the war though they were not able to eliminate them entirely. In a few cases the orders appear to have been extreme in requiring compliance on items that did not measurably advance the purpose for

which they were planned.

Maximum Prices on Wool-apparel Items. These orders do not lend themselves readily to summarization because of their number and complicated nature. Instead of a summary, in the paragraph which follows, some of the more important features and developments concerning OPA regulations during this period are pointed out briefly. The orders are included in the chronology by number and title together with dates of issue and a revocation. A much fuller treatment of this subject and the one from which most of this material has been drawn, is found in a readable and revealing report, Wartime Apparel Price Control by Wilfred Carsel (Office of Temporary Controls, April 1947).

The OPA had a rather thankless task in administering price control. Perhaps in no other field did its efforts toward effective price control meet as much apathy and direct opposition as they did in regard to apparel. The earliest orders regarding wool apparel preceded the Emergency Price Control Act and were generally similar to PS-58 (note page 26). They were followed by the General Maximum Price Regulation which "froze" maximum prices at the highest price received by the seller in March 1942, for practically all forms of wool apparel. The OPA continued to refine its price-control technique during the remainder of 1942 by exempting specific groups of wool apparel from GMPR and including them in new price orders. These new orders followed the basic technique of GMPR in "freezing the prices of each seller" and provided further that, "quality standards were to be maintained the same as in the base period in terms of wearability and serviceability." While these orders were better adapted to the conditions within the industry they proved to be particularly weak in controlling prices on seasonal commodities and on new commodity lines.

Other approaches to price control were tried in later maximum price-control regulations. One of the more successful was the "highest price line" limitation, which did not permit the sale of any article at a higher price than the highest price which the seller had received for the article in the base period. This new provision met strong opposition, and its application in the retail field was prohibited by the Hartley amendment to the stabilization act of 1944. Another approach used with moderate success was the limiting of margins above basic costs to a fixed percentage on all items. This was not applied in retailing until 1945, under MPR-580. Margin control proved to be of some aid in establishing effective price control but had the weakness of assuming that costs were a measure of quality.

There was notable deterioration in the quality of apparel items being manufactured during 1942. In the next year OPA decided that effective price control required some control of quality. A rayon hosiery order, MPR-339, providing for different levels of maximum prices on the basis of quality and gauge and requiring grade labelling was issued in March 1943. Similar modification of wool-apparel price orders were being considered or were already in process, in June 1943, when the Andresen Amendment to the OPA appropriation act of 1943-44 was enacted. Under this amendment the OPA could not require grade labelling or the meeting of quality standards in price control unless such standards were already in general use.

The OPA had also been in favor of the rationing of civilian clothes. It believed that price control would never be effective in the apparel field unless the demand for apparel was restricted. A comprehensive study of the subject had been made and a detailed rationing program for clothing was on file by November 1, 1943. Ration-point values were to be fixed so as to discourage the use of higher priced items. Although legislative authority for rationing was not included in the price control act, it was granted by the Second War Powers Act of 1942. Food rationing had been delegated to OPA in 1942 and shoe rationing in early 1943. But the WPB had considered clothing rationing early in the war and was not in favor of it. Because of its opposition, the rationing of clothing was never put into effect.

Later in the war, incentive margin increases were tried on apparel of lower price to encourage more manufacture of it, as in SO-139 issued in November 1945. This effort came too late in the program and was on too small a scale to do much more than afford some idea of its effectiveness. But it did show promise of being a successful method of encouraging production of lower priced garments.

Apparel price control was not very effective. A Congressional Committee in 1946 stated "without doubt the most difficult area upon which to impose price control is that of apparel," and added that this field is, "hardly policeable." 22/ Prices for

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22/ U. S. Congress, 79th, 2nd Sess., House of Representatives, Special Committee on Postwar Economic Policy and Planning, The Use of Wartime Controls during the Transition Period, p. 57 (Washington, 1946).

wool clothing rose about 30 percent, from July 1942 through June 1946. 23/ That little restraint was exerted on apparel price ceilings is shown by the behavior of prices. Following temporary decontrol of prices in June 1946, the BLS clothing index registered only a 3 percent increase in July 1946, contrasted to a 15-percent increase for all prices at retail. A more favorable comparison for the price-control effort is had by using BLS data and contrasting price changes in World War II with those in World War I. From July 1914 through November 1918 all prices for clothing more than doubled, whereas in the 6 years of the World War II period, ending August 1945, they rose only 46 percent. In the 14-month period "Armistice" following World War I, all prices for clothing rose 40 percent whereas during the same length of time after VJ-Day they rose only 15 percent. More of the Price rise in World War II may have been "hidden" than in World War I and so would not show up in the data, but these figures seem to indicate that apparel price control was at least successful in minimizing some of the inflationary forces which, in its absence, might have pushed prices still higher.

Failure of price control in this field does not appear to have been due to any lack of effort by OPA personnel but rather to insufficient authority and insufficient funds and latitude to attack an extremely difficult problem. Also the lack of support given to the OPA by other agencies and the general public probably contributed to its lack of success. The OPA was remiss, however, in not making more of an effort to obtain this support. The rather limited success of the OPA in this most difficult "and hardly policeable" field is probably as much as could have been expected under the circumstances.

Low-cost Essential Clothing Program. The low-cost essential clothing program was inaugurated in early 1945. The OPA had been concerned about the rising price level and the deterioration of quality in apparel. Its earlier efforts to combat these developments had not been very successful. For a long time it had felt that successful price control in this field required cooperation with other control agencies, particularly the WPB. The WPB, in turn, in late 1944 anticipated a shortage of wool apparel. Its estimates, made in early 1945, predicted that because of large military orders the yardage of wool cloth available to civilians in 1945 would be 56 percent less than in 1944. Through upgrading, the supplies of apparel at low prices available for consumption had already been reduced, and it was feared that apparel in the

23/ An estimate based on published BLS retail prices of wool clothing adjusted upward 5.5 percent as recommended by the Presidents' Committee on Cost of Living in 1944 because of quality deterioration, under-reported prices, and disappearance of special sales.

more moderate priced lines would disappear from the market.

Early in 1945, after a series of conferences, officials of the WPB, the OPA, and the Office of Economic Stabilization announced a Low Cost Essential Clothing Program. It was designed to provide for the sale at retail of at least a minimum quantity of essential clothing at moderate prices. The program was a decided step forward in providing clothing to consumers in moderate income groups at moderate prices.

The over-all program required joint price-and-production control of certain essential clothing from the material stage right through to the retail outlets. The WPB enforced set-asides on the production of certain fabrics required in the clothing program and then allocated these fabric supplies to apparel manufacturers who agreed to make, at a certain price, clothing that would meet given specifications. Maximum prices on the materials and clothing to be used in the program at the various production and sales levels were set and enforced by the OPA. The OPA also promulgated a new kind of regulation called Maximum Average Price or MAP, designed to require mills to produce enough low-cost wool cloth for the program. It required wool-textile manufactures to regulate the sales (and consequently production) of the different types of fabrics they manufactured so that the average sale price, per yard, of all sales would not be larger than in a certain designated base period.

Maximum Average Price (OPA Revised Supplementary Order 113). The purpose of this regulation was to require mills to return to the production of more standard constructions instead of the newer, more expensive constructions that were being manufactured in 1943 and 1944. It was expected that under this order mills would produce more of the low-cost fabrics, particularly suitings and overcoatings. The order was issued in July 1945 and provided specifically that a mill's average selling price per yard for a calendar quarter of the year could not be greater than their average in the corresponding quarter of the base period. Unless a mill that exceed its MAP in one quarter made it up the following quarter, it was not permitted to deliver any fabric having a net price per yard above this MAP until the surcharge had been made up. The year 1944 was the base period most generally used. If it was used, a mill's maximum average price could not exceed 96 percent of the weighted average price of all deliveries it made during 1944. SO-113, as originally issued, had provided for 1943 as a base period. A realization of the great influence of M-73 on a mill's production and price schedules caused OPA to shift to a 1944 base, in its order RSO-113. Many mills no longer made blended fabrics by 1944. The order continued in effect until June 30, 1946

when price control was suspended. As extended in July 1946 the Price Control Act did not permit the imposition of maximum average price regulations.

At best MAP was a limited success. Mills objected to the order as it forced a curtailment in the manufacture of their more profitable items. They claimed that it was a misuse of price-control authority to establish production control. This contention was sustained in the courts in May 1947. Mills also pointed out that instead of stimulating the production of suitings, top coatings, and overcoatings-the most needed fabrics-this order encouraged the production of the fabrics for lighter women's wear, supplies of which were already ample.

But MAP did succeed in retarding price increases and in getting a substantial production and sale of clothing at moderate prices. A special survey of suit manufacturers by the Civilian Production Administration indicated that 51 percent of the regular weight suits and 62 percent of the summer weight suits cut in May 1946 was below the cut-off price of $22.50 set in M-328B. 24/ It would appear that the issuance of MAP was delayed too long. If it had been issued earlier, along with MPR-163, it might not only have done more to advance the low cost clothing program but it might have bolstered price control in the apparel field. It also might have prevented rather than accentuated some of the less wholesome developments that occurred in this field during the war period.

WPB Order M-388 and Schedule K. MAP required that mills have a larger part of their manufacture consist of the low-priced fabrics than had been their recent custom. Under WPB Order M-388, issued in February 1945, 80 percent of the production of certain low-priced fabrics had to be set aside for delivery to clothing manufacturers that held the required preference ratings. These ratings were issued to clothing manufacturers who applied for them and who agreed to manufacture apparel items that met certain minimum standards, for sale at specified prices. In addition, the low-cost clothing manufacturers who cooperated in the program were assisted by allocations of other scarce items such as rayon linings, pocketings, and other cotton components. Schedule K of M-328B issued August 18, 1945, replaced M-388 when the latter was revoked in October 1945. This brought no basic change in the program, though there were some changes in the determination of set-asides.

The wool-textile industry was not in favor of the low-cost clothing program. One of their objections during early 1946 was that set-aside requirements were so high they could not dispose of all the fabrics they had set aside. In an effort to meet these objections, the WPB made reductions in the set-aside percentages each quarter of the program, and it allowed certain liberalizing provisions in the carry-over requirements, from one quarter to the next. The WPB continued to carry out the low-cost

24/ U. S. Civilian Production Administration, Monthly Report on Civilian Production, June 1946, p. 20.

clothing program on a reduced scale, after the demise of MAP in June 1946, but the program was terminated after the fourth quarter of 1946, except for small set asides continued in respect to non-wool materials.

SITUATION AT THE END OF 1946

General conditions in the United States were decidedly different at the end of 1946 from those that prevailed in 1939. The productive capacity of the Nation had increased considerably. Expansion was greatest within the industrial field where, during the peak years of the war, output was more than double that of 1939, but it was also apparent in other fields. Within agriculture, the production of food and fiber increased 28 percent. Prices had rise. The general level of wholesale prices was 82 percent higher at the end of 1946 than in 1939. The greatest rise was in prices for farm products which had been considerably below non-farm prices during the decade of the 1930's; they increased 157 percent. There were corresponding changes in wages, incomes, and profits. Average weekly earnings of factory workers at the end of 1946 were 96 percent above 1939 levels and unemployment had virtually disappeared. Net corporate profits totaled 12.5 billion dollars during 1946, 150 percent higher than in 1939. National income was 178 billion dollars in 1946 compared to 73 billion in 1939.

It has been indicated that notable developments occurred within the wool industry during the war. In general, the level of output and prices in the wool-manufacturing and distribution agencies were much higher than in 1939. However, the production of domestic wool had dropped sharply after 1942, and farm prices for wool had remained unchanged since that time.

By the end of 1946 virtually all the Government's wartime control programs on wool and wool manufactures, except the CCC price support program, had been terminated. The industry was returning to peacetime methods of operation. In the pages that follow the conditions and problems facing the industry at the end of 1946 are briefly portrayed.

Position of Domestic Producers

The situation of domestic-wool producers at the end of 1946 was in marked contrast to the rest of agriculture. Sheep numbers had reached a peak in 1942. Stock sheep totaled 49.3 million head on January 1 of that year. Since that time, there has been a severe decline in numbers on farms--they declined 34 percent during the 5 years, 1942-46. This is the greatest decline of any 5 year period since 1867, when the first of the series of annual estimates of sheep numbers was made, though many other sharp decreases have been recorded. The liquidation was rather general over the country except for Texas.

Cash receipts from the sale of wool in 1946 amounted to 118 million dollars, 25 percent smaller than in 1943 and 8 percent smaller than in 1945, whereas cash farm income for all agricultural products increased 26 percent from 1943 to 1946. But in considering the income situation of wool producers at the end of 1946, the sale of sheep and lambs should be considered along with wool, as they are joint products of the same enterprise. The high prices being paid for sheep and lambs were influential in buoying up the producers' cash income during 1944-46. Cash receipts from sheep, lambs, and wool (exclusive of sales of feeder sheep and lambs but including government payments to farmers) amounted to 427 million dollars in 1946. Their combined receipts were 12 percent higher than in 1945 but 2 percent lower than in 1943. The combined sales of sheep, lambs, and wool accounted for a smaller proportion of all agricultural income in 1946 than in 1935-39. Also, the increase in income from sheep and lambs during 1943-46 was largely due to the large number of sheep and lambs slaughtered. Sheep and lamb slaughter during the period was large compared to sheep numbers on farms. This high level of slaughter had been sustained by the sale of part of the industry's breeding stock.

That income from wool was declining and total receipts in the sheep enterprise had been maintained only through sale from breeding herds and other working assets, during a general inflationary period, appears to have stemmed mainly from economic causes. Technological developments both within the industry itself and within related industries have not been important in recent years. Changes that have taken place in yields of wool per sheep, in percentage lamb crop, in feeding, and in marketing have had relatively little influence, on the average, in productive efficiency. Similarly, the technological advances in compet-

ing industries did not have much influence in forcing a reduction in sheep numbers. There appear to be three main reasons for the rapid decline in sheep numbers since early 1942. (1) Cash farm costs, most of which are not deferrable and were a larger proportion of total costs than was true in competing enterprises have risen considerably more within the sheep enterprise. (2) Prices and profits in alternative enterprises were relatively larger than for sheep. (3) The price outlook for wool was not favorable during this period.

Farm Costs. In the range States (States situated in the Rocky Mountains or west and south of them, including Texas) where about two-thirds of our sheep are kept, the increase in costs was an influential determinant in the reduction of sheep numbers. Here the enterprise is large and specialized. The sheep usually graze in bands of about a thousand head; the care of one of these bands in a full-time job for a herder. In Texas, where much of the range is fenced in, fence riders rather than herders are necessary. Some supplementary feed must be grown or bought and considerable equipment is needed. The herder's wage constitutes the largest single cost, and in many areas has been well over half of all costs of the band in recent years. Under this range type of production, cash costs are a higher proportion of total costs than is true for other farm enterprises such as beef cattle and grains.

In the native States (States east of the Rocky Mountains) costs may not have been so influential in the reduction of the sheep enterprise. The sheep are generally kept in small farm flocks and are a somewhat incidental enterprise in the general farm organization. They utilize rough pastures and hillsides and are cared for in a farmer's less busy moments. In some States, like Kentucky, they are kept primarily for the production of lamb. Under this type of production, cash costs are likely to be smaller and are more likely to be allocated or merged within the general farm enterprise.

The emphasis has been put upon cash costs or expenditures partly because these costs are tangible and easier to measure, but mainly because these costs are necessary for operation and are not usually deferrable. Returns to capital, to land, and to unpaid family labor are costs of a longer term nature which often may be deferred without affecting the current operations. The sheep industry in the West was particularly vulnerable, as roughly two-thirds of its costs during the war were cash costs, whereas cash costs during the war period were only about half of all costs in beef-cattle production and farm production generally. 25/

25/ Based on unpublished estimates of the Bureau of Agricultural Economics.

Estimates of the extent of the rise in cash costs are shown in table 7. Cash costs in agriculture were rising sharply during the war and reconversion periods and still had not reached their peak by the end of 1946. The rise of cash costs, however, was greater within the sheep industry than in enterprises with which it is in competition. Their greater extent is shown by the comparisons given in the last two columns of the table. In most parts of the West, sheep and beef cattle compete for land and other resources, and one operator may own both. In the native States, sheep are in competition with a multitude of farm enterprises and while in any particular area certain enterprises appear to furnish most of the competition none are outstanding for the region as a whole. The key to both the higher incidence of cash costs, and the greater rise in these costs for sheep, is found in farm labor. Labor is the largest cost item in the western sheep industry, because of the relatively large amount required, and to the skill and rigorous life that sheep-herding entails. The tight farm-labor situation that developed during the war caused the rates of farm wages to rise almost twice as much as did prices generally. Farm-wage rates in western States were more than three times as high at the end of 1946 as in 1939, and throughout the later part of war period there was considerable difficulty in recruiting herders at the prevailing wage rates.

Alternative Enterprises. The attractions of alternative enterprises were probably effective in reducing the sheep numbers. First, there were good employment opportunities outside of agriculture. Total employment within agriculture dropped 10 percent over the 1940-46 period whereas nonagricultural employment rose 26 percent. Thousands of boys and men left the farms to enter military service. Second, particularly in the East, there was more competition between sheep and the major farm enterprises. Sheep in this area had been mainly a "fill-in," complementary enterprise, to utilize more fully the farm labor and the rough coarse feed. Wartime demands for greater agricultural production induced farmers to expand their major farm enterprises. As this usually meant fuller utilization of the labor force and feed supply, sheep competed more actively with the major crops and livestock. In some eastern areas they could not successfuly compete with these other enterprises and so there were some reductions. Third, in the range areas where sheep are in competition with other enterprises, the returns from competing enterprises, particularly cattle, were more favorable than from sheep. The rise in prices for cattle during this 1939-46 period had been slightly greater than the rise in prices for lambs and had greatly exceeded the rise in wool prices, particularly in later years.

Table 7. Estimates of cash production costs for sheep, beef-cattle, and all farm enterprises, 1939-46 1/

Period	Sheep enterprise 2/	Beef cattle enterprise 2/	All farm products 2/	Sheep industry as a percentage of- 3/ Beef-cattle	Sheep industry as a percentage of- 3/ All farm products
				Percent	Percent
1939	99	98	97	101	102
1940	101	99	98	102	103
1941	112	107	106	105	106
1942	135	124	121	108	112
1943	158	141	136	112	116
1944	175	152	148	115	118
1945	184	158	154	117	119
1946	195	165	168	118	116
Dec.	207	177	176	117	118

1/ Estimates adapted from estimates prepared under the direction of the Office of Economic Stabilization for determining one of the legal minimums in the administrative of price control. The indices for the sheep and beef-cattle enterprises were obtained by weighting nine groups of prices (or costs). Most of the prices were based on averages for the United States and so might differ somewhat from prices applicable to the individual enterprises. The groups included in these calculations were feed; seed; equipment and supplies; machinery operation; machinery replacement; building replacement; livestock (prices received for sheep and lamb for sheep enterprise, and for horses and mules for the beef cattle enterprise); wage rates (in selected States); and interest, taxes, and net rent. The price information collected within the BAE was used and converted to index numbers, 1935-39 = 100. The weights assigned to each of the groups were based on data on farmers' expenditures, mostly unpublished. These weights on a percentage basis were, for sheep (listed in the same order as the groups above), 12, 1, 8, 6, 11, 2, 4, 26, and 30; for beef cattle, 9, 4, 1, 12, 19, 6, 5, 17, and 26.

In determining the index of cash costs for all farm products, weights are based on average farmer expenditures for 1924-29. In this period, expenditures per farm for commodities used in production averaged $466, taxes $85, interest $90, and hired labor, $150. The published indices on prices paid for items used in production, interest, and taxes payable per acre, and farm wage rates (all converted to a 1935-39 base) were used.

2/ Index numbers, 1935-39=100.

3/ Determined from unrounded figures.

Table 8 gives a few price comparisons for this period. A composite index of the prices for sheep, lamb, and wool is given, based on the relative quantities of those products normally sold during a stable period, when sheep numbers were being neither contracted nor expanded. The index of sheep, lamb, and wool prices in this table reflects the relative composite price for the sheep industry when viewed as a "going concern." If war-period-weights had been used a somewhat different index would have resulted, as the industry was in liquidation during that period. The 1935-39 period appeared to be a suitable base for these price comparisons. The sheep industry had been stabilized at a moderately high level and there was practically no difference between numbers of stock sheep at the beginning and end of the period. In the determination of weights, the sales of feeder sheep and lambs were excluded, as they had been included in the data on animals shipped out for slaughter.

In the early war years, prices for wool were advancing more rapidly than were sheep and lamb prices. But from 1942 on, this situation was reversed. Most of the subsequent advance was due to higher price returns from sheep and lambs. These divergent trends average out in the composite index. The price advance of all three items taken together was enough to maintain their composite price index above the index reflecting the increase in cash costs within the sheep industry until 1944 (comparison of tables 7 and 8). During 1944 and 1945 and early 1946, there was relatively little advance in sheep and lamb prices and practically none in wool prices, whereas cash costs continued to increase. During this period the index of cash costs on the 1935-39 base was higher than the index of prices received by farmers for sheep, lambs, and wool, combined. Sheep and lamb prices advanced rapidly after the termination of price controls, however, and at the end of 1946 the index of prices received was slightly higher than the index of cash costs.

An important cause for the rapid decline in stock sheep numbers is found in the price developments that occurred in competing industries. Cash costs in the sheep enterprise were found to be distinctly higher, compared to prewar, than they were in the cattle enterprise or in farm-product enterprises generally (table 7). In the last two columns of table 8,

Table 8.- Comparison of prices received by farmers for sheep, lambs and wool with prices of beef cattle and of all farm products, United States, average 1935-39, annual 1939-46

Period	Sheep 1/	Lambs	Wool 1/	Price index 2/: Sheep, lambs and wool	Price index 2/: Beef cattle	Price index 2/: All farm products	Sheep, lambs and wool price index as a percent of index of: Beef cattle	Sheep, lambs and wool price index as a percent of index of: All farm products
	Cents	Cents	Cents				Percent	Percent
Average 1935-39	3.90	7.81	23.9	100	100	100	100	100
1939	3.90	7.78	22.3	97	110	88	88	110
1940	3.95	8.10	28.4	110	116	93	95	118
1941	5.06	9.58	35.5	134	135	115	99	117
1942	5.78	11.70	40.1	157	164	148	96	106
1943	6.57	13.00	41.7	170	183	179	93	95
1944	6.01	12.50	42.4	167	166	182	101	92
1945	3/6.92	13.80	41.9	176	3/ 187	188	94	94
1946	3/7.84	16.90	42.3	200	3/ 224	217	89	92
Dec. 4/	7.55	18.60	41.1	208	253	247	82	84

1/ Season average price per pound received by farmers.
2/ 1935-39=100. For sheep, index weights are based on quantities sold, exclusive of inshipments of feeder lambs and sheep during the 1935-39 period. Sheep prices on an index basis (1935-39=100) receive a weighting of 8 percent; lambs, 52 percent and wool 40 percent. Beef cattle index is based on season average price. All farm products is a simple average of monthly indices. The following factors may be used with prices per pound in constructing the sheep, lambs, and wool index directly from the prices (cents per pound): 1.97 for sheep, 6.69 for lambs, and 1.683 for wool.
3/ Including direct payments made to sheep and cattle producers.
4/ Prices received by farmers for December 1946.

where prices received in these enterprises are compared, it is found that, compared with prewar, the combined price of sheep, lambs, and wool was lower on the 1935-39 base than were prices of beef cattle or of all farm products, during 1943-46. Thus, with cash costs higher and with prices lower, than for beef cattle, western operators who could shift from sheep to cattle had a big incentive to reduce their flocks. In the native States the less favorable prices received from sheep, lambs, and wool, combined with a reduced need for supplementary enterprises, diminished the attractions of the sheep enterprise.

There was much wartime discussion about the degree of profitability of producing wool. A special Congressional Committee looked into the subject in some detail. The discussions served to broaden and develop the subject rather than to resolve it. Solution was impeded by lack of data and the allocation of costs among joint products has proved to be a particularly knotty problem. Perhaps the most widely publicized study on the cost of producing wool during this period is the one made by the Tariff Commission at the request of the Congress. This study showed that wool prices were lower than the estimated total costs per pound during the whole period, 1942-46. Returns to the industry from sheep, lamb, and wool combined, however, covered all costs in 1942 and resulted in but a small loss in 1943. In the 1944-46 period, the losses within the enterprise were substantial. In this study, "total costs" include an entreprenuerial charge of 65 cents per head and an allowance of 5-percent interest on land and capital investments. The study was based upon rather limited data and some question of its representativeness has been raised because of the sampling methods used. Although there is not final agreement on the subject, the available data appear to lead to the rather general conclusion that the sheep enterprise, unlike most other agricultural enterprises, was less profitable during the later war years, 1944-46, than in the earlier war

years 1940-42. This thought is confirmed by the data in tables 7 and 8. 26/

Wool Price Outlook During the War.- As early as 1942 the price outlook for domestic wool became unfavorable. The demand situation for domestic wools deteriorated rapidly during that year. We have seen that the late renewals of the Commodity Credit Corporation's program in 1944-46 kept this program from being as effective as it could have been in sustaining the level of wool production because farmers usually had made their decisions on culling and replacement of their foundation flocks before the renewal was announced. Farmers realized that price supports might not be extended and in the absence of price support, their wool would be sold in competition with lower-priced imported wools. Domestic wool supplies during 1943-46 were ample and with our favorable prosecution of the war they were not likely to be too severely depleted as large surplus supplies were also accumulating abroad.

Position at End of 1946. By the end of 1946 the productive capacity of the domestic-wool industry was reduced to a very low level. Measured by stock sheep numbers it was smaller than at any time since 1867. Measured by prospective wool production during 1947, it was lower than in any year since 1925. Unit price returns in the sheep industry were less favorable than in competing industries, compared to prewar. Meanwhile, cash costs of the industry were high.

26/ With the data in tables 7 and 8 and some reasonable but simplifying assumptions, trends of enterprise profits (i.e., unit returns to land, capital, and unpaid family labor) can be developed. Because of the nature of the data and the assumptions made in its analysis, the results are of value only in general terms. The analysis indicates that unit returns within the sheep enterprise were distinctly less favorable in 1944-46 than in 1941-42, in terms of commodities farmers buy. On the other hand, unit returns to beef-cattle producers in real terms appear to be at least as favorable, in the later period until price control was terminated, and more favorable thereafter, than in 1941-42. Unit returns within agriculture generally, were definitely more favorable in real terms in 1944-46 than in 1941-42.

Looking forward to 1947 and later years, some moderation in the downward trend in production was in prospect. Liquidations had removed much of that part of the sheep enterprises that had more favorable alternatives. More farm labor would probably be available, though wages would be high. There was some prospect for relatively greater declines in prices in competing enterprises, over the longer run, because of their expanded size, than for sheep and lambs.

There was also less cause for pessimism in the price outlook for domestic wool. The Congress had extended price support through 1948. Surplus stocks abroad were diminishing as world consumption exceeded world production, and a smaller proportion of these stocks were of types that are competitive with domestic wools. Even so prices for wool at the end of 1946 were below their prewar relationship with prices of agricultural products in general, and could be expected to continue so for some time.

Domestic-Wool Supplies. Domestic stocks of apparel wool were the largest in the history of the country at the end of 1946. About half of these stocks were wools of domestic origin held by the CCC. The rest were in the hands of dealers and mills and were mostly wools of foreign origin. The visible supply of apparel wool in the United States (that is, stocks plus production) was more than enough, in total, to supply mill needs throughout 1947. In addition, the large supplies of wool in foreign countries were available for export and our rate of imports during the latter part of 1946 continued high.

The outlook was for continued plentiful supplies of apparel wool during the next few years but as much of this wool was under Government control, these supplies were not likely to be excessively burdensome on wool markets.

Domestic Consumption. Reconversion of the wool-textile industry from war to peacetime production did not take very long; most of it had been done by the end of 1945. By February 1946 mill consumption had again attained wartime levels. In the months following, further advances in consumption were made and the consumption of apparel wool reached the record total of 1,072 million pounds, grease basis, for the year.

In general, mills were apparently operating at near capacity throughout 1946. Though the industry re-employed many former workers as they returned from the armed forces and from war enterprises the total employment in the industry increased only about 12 percent during the year and at the end of December was 9 percent higher than at the end of 1939. In the worsted combing section particularly, there was evidence of physical inability to expand production any further.

Mills produced 604 million yards of wool and part-wool fabrics in 1946. Records are not complete but this appears to be far in excess of any previous year's production. The industry manufactured a large quantity (both relatively and in actual yardage) of woolen goods suitable mainly for women's wear. This was in contrast to prewar production conditions and civilian needs, and appeared to be due mainly to the tight situation in worsteds and to the relatively greater effectiveness of price control on men's wear.

Even with this record output of fabrics, demand exceeded the available supplies through most of 1946. In the early months, the demand for wool apparel was so great that most retail stores could not maintain display stock. This unusually heavy civilian demand had many causes. Some of them were associated with current incomes while others developed more directly out of the war. Many were of an unusual nature and were not likely to recur in future years.

First, there was a large so-called normal demand during 1946 from consumers who had relatively high incomes. Disposable income in 1946 was larger than for any previous peacetime year, and as consumers' demands for apparel are closely related to consumers' income this probably accounted for much of the total demand. Second, and closely related was the more abnormal demand for apparel due to shortages of durable consumers' goods and services for which money would usually be spent. In 1935-39 consumer expenditures for durable goods and services accounted for 48 percent of all expenditures. In 1946 these expenditures, in spite of larger incomes, had dropped to 41 percent. Many consumers were willing to spend more of their incomes on apparel and other nondurable items because houses, automobiles, and personal services generally, could not be had. Third, the release of 8 million men from the armed forces during the 12 months following VJ-Day placed an unusual drain on wool

apparel. These men had been in uniform for varying periods and now needed civilian clothes. It has been estimated that their demands alone would have absorbed a full year's production of most items, at the prewar rate. Fourth, another unusual demand arose because an extraordinary number of civilian workers, particularly women, were changing their occupations and needed additions to their wardrobes. The volume of women's wool apparel sold at retail during 1946 appears to have been the highest in our history. In addition, there was the demand of wholesalers and retailers who were attempting to build up operating stocks for merchandising purposes.

Most of the more urgent civilian demands for wool clothing appeared to have been met by the end of 1946. Durable consumer goods was appearing on the market in appreciable volume and retail and wholesale apparel inventories had risen considerably. Nevertheless, consumer incomes were high. Although some slackening from 1946 levels was anticipated in the following years, the demand for wool apparel was expected to continue large.

Wool Situation in Foreign Countries

In the next few pages, the developments regarding price and other phases of the industry in foreign countries are briefly summarized. Developments in foreign countries are important in the case of wool because of the large amount imported and consumed by this country. Prices of domestic wool normally follow foreign prices rather closely.

Trade. World trade in wool is normally large because the principal producing and consuming areas are so far apart. Measured in dollar value the international trade in cotton was the only agricultural commodity which exceeded wool during 1934-38. Two-thirds of the world's wool production moved in international trade during 1934-38. The principal movement was from the five Southern Hemisphere wool-producing countries (Argentina, Australia, New Zealand, South Africa, and Uruguay) to the United Kingdom and continental Europe. With the exception of the United States, the principal consuming countries imported 80 to 90 percent of their apparel-wool requirements and the principal countries that produced apparel wool exported a similiar percentage of their production. The trade in wool was hampered by the war, and surplus stocks accumulated in the

Southern Hemisphere, although very large quantities were shipped to the United States. International trade in wool increased sharply in 1945-46. Combined exports from the five Southern Hemisphere countries in 1946 have been estimated about 70 percent larger than the average for the war period (1940-44) and 24 percent above the prewar average, (1934-38). A considerable part of the 1946 movement was due to the rebuilding of stocks in continental Europe although the record use of foreign wool by U. S. mills was influential.

Production. World wool production was of record size when the war began. During the early war years, it increased materially. At its wartime peak, world production probably surpassed prewar production (1934-38) by about 14 percent. Production was stimulated during the years of the war by relatively high prices for the wool and by the policies of the United States and British Governments relating to wool. World production turned downward after 1941 and by 1946 it had declined to about prewar average. Total production of apparel wool in 1947 was estimated at about 2.9 billion pounds grease basis, little different than in 1946. The decline in world production during the later years of the war was largely the result of smaller production in the United States and Europe, and serious droughts in Australia and South Africa. Production in the two latter countries, which together produce most of the world's export supply of fine-grade apparel wools, in 1946 was 21 percent below the 1941 peak and 8 percent smaller than prewar (1934-38). In New Zealand, Argentina, and Uruguay, where mostly medium grades of wool are produced, production during the later war years remained close to the wartime peak.

Consumption. World consumption of apparel wool approximated 3.0 billion pounds a year, grease basis, in prewar years (1934-38), but less than 10 percent of it was consumed in the Southern Hemisphere where most of it was produced. During the war, increased military requirements, disruption of shipping, and the Allied blockade, greatly changed consumption patterns. In the United States, the United Kingdom, and other Allied countries which had access to Southern Hemisphere supplies, consumption increased at first as a result of large military requirements and increased consumer incomes. In the United Kingdom this increase was not maintained during later years because of the withdrawal of workers from the textile industry for more critical war work. In Continental Europe and Japan,

which were largely deprived of imports by the blockade, consumption was limited to the quantities produced locally. World consumption of apparel wool for the year ended June 30, 1947 was probably about 10 to 15 percent larger than in either 1946 or in prewar years. Considerable progress had been made in rehabilitating the wool-textile industry in Continental Europe, and consumption in the United States and in Southern Hemisphere countries was large.

Stocks. When the war ended, world stocks of apparel wool were the largest on record. Stocks at the beginning of the 1945 season (about July 1) were estimated at 5.1 billion pounds, grease basis-more than three times as large as average stocks in prewar times (1934-38) and 74 percent larger than the estimated current production of apparel wool. These stocks accumulated because of the reduced wartime consumption in Continental Europe and Japan which, in prewar years, had consumed about two-fifths of the world's wool production. This reduction was partially offset by increased wartime consumption in the United States.

The greater part of these surplus stocks were within the British Empire when the war ended and were owned by the British Government. Early in the war the British Government had entered into an agreement with Australia, New Zealand, and South Africa to purchase their entire exportable surplus of wool for the war period and for one clip year thereafter. In July 1946, after extended discussions, the establishment of a joint organization under the name of "UK-Dominion Wool Disposals Limited" was announced. Under the agreements the stock of Dominion-grown wools owned by the United Kingdom Ministry of Supply was transferred to the joint ownership of the United Kingdom Government and the Dominion Government that was concerned. Instead of continuing to buy the wool clips it was agreed that open auctions would be resumed in September 1946, at which the current clip would be offered for sale by the grower along with a part of the jointly owned Government stocks. The Joint Organization has indicated that it has bought at an unannounced minimum reserve price set by it, all wool not sold to commercial buyers at that price or higher.

The first postwar season (1945-46) brought a considerable shift in stocks from producing to consuming centers. The large shipments partly reflected the rebuilding of stocks in trade channels in Continental Europe and did not represent a proportionate increase in consumption of apparel wool. The stocks owned by the British Government were reduced from 3.6 billion pounds on July 1, 1945, to 2.0 billion pounds on July 1, 1946. With the expansion of world consumption during 1946 further reduction in world stocks occurred, however, and British Government stocks were reduced to 1.5 billion by June 30, 1947. Only a small part of these 1947 stocks were good-quality, fine-grade wools of the type generally used by United States mills, for the United States and the United Kingdom had consumed much of these choice wools currently during the war years, and considerable a part of the remainder had been sold during 1945 and 1946. The Joint Organization, at the end of June 1947, held less than 150 million pounds of combing wools of good to superior quality free or only slightly burry. The remaining merinos carried heavy burr or were carbonizing wools, carding wools, or inferior sorts. The medium wools, however, included a larger percentage of good-quality fleece wools.

It may take several years to dispose of these surplus wool stocks. As little or no reduction in world wool production is anticipated, the disposal must be achieved by maintaining an expanding world consumption. Most of the increases in wool consumption in the near future is likely to occur in Europe, as rehabilitation progresses. The British Joint Organization has recognized that moderately low prices for wool are necessary, if world wool consumption is to be expanded considerably above its prewar levels.

Prices. Wool prices in the United States and foreign markets have been largely determined by the policies of the United States and British Governments, since 1940. The British-administered, resale prices, supported the prices for wool in world markets even though the supplies greatly exceeded the effective demand at those prices. The British selling prices during the war were maintained at a level moderately higher than in prewar years. In Australia, the Government's average selling price in the latter part of the selling season of 1945-46 was about 18 percent higher than the average 1934-38 price, and in New Zealand it was 34 percent higher. Sale by auction was resumed in September 1946. The Joint Organization announced that it would

support prices during the 1946-47 season at the same level as had prevailed in the latter part of the 1945-46 selling season. However, prices at the auctions for most grades of wool were above these support levels through the 1946-47 season. There was a very sharp rise in prices for fine wool during 1946-47. Medium wools also advanced substantially in price. Because of the operations of the British Joint Organization, prices for foreign wool should be characterized, in the postwar period, by much greater stability than prevailed in the interwar period.

CHRONOLOGY

The Transition Period, September 1939-November 1941

This was generally a period of rising prices and expanded business activity due to the demand for war supplies both here and abroad. Although the United States was not prepared for war at the end of 1941, in review this period between September 1939 and Pearl Harbor seems best described as a time of transition from peace to war.

The necessity of increasing supplies of raw wool in this country was recognized in 1939, and was considered by the National Defense Advisory Commission in 1940. In December of that year an agreement was concluded with Great Britain for the storage in this country of 250 million pounds of British Empire wools.

The military procurement agencies became active purchasers of wool fabrics as early as June 1940. They placed 22 percent of their total war procurement purchases during 1940 and 1941, though actual delivery had been made on only a about 60 percent of these orders by the end of 1941.

Prices for domestic wool had jumped about a third when the war broke out in Europe because domestic supplies were small and large mill demands were expected. This rise in prices, above the price of duty-paid imported wool that entered the country later was soon supported by the terms of the early military contracts which required the use of 100 percent domestic wool, in order to encourage the production of domestic wool. When Army contracts later permitted mills to use foreign wools, they provided a premium for the mills that used domestic wools. Stimulated by favorable prices and favorable weather, domestic production increased 28 million pounds in 2 years. In 1941, it totaled 456 million pounds (grease basis). Wool imports during this period stepped out of their former role of supplementing domestic production and in 1941 totaled 614 million pounds and were six times as large as they averaged in 1935-39. For the first time since 1923 the industry in 1941 consumed more foreign than domestic wool (scoured basis).

The expanded volume of mill output during 1941 conditioned the type of regulation that was later imposed on mills. Production for civilian use was even higher in 1941 than in 1939; in addition, large deliveries were made on military orders.

Data for satisfactory comparison with earlier years are not available, but the 1941 output was probably beyond all previous experience. The attainment of this output had significance as it indicated the industry's potentialities for meeting the larger needs in the periods ahead.

DATE		EVENT
1939		
September	1	The German Army invaded Poland.
September	3	Great Britain and France declared war on Germany.
September	5	The President invoked the Neutrality Act prohibiting shipment of war materials and barred American territorial waters for warlike purposes to belligerents.
	26	Interdepartmental Wool Committee, recognizing dependence of the U. S. on foreign wool sources and the monopoly control on much of these wool supplies, recommended the establishment of a government agency to purchase wool in bulk in order to lessen pressure on prices. (Interdepartmental Wool Committee, "Wool Committee Report," unpublished manuscript, Sept. 26, 1939).
October	14	The United Kingdom announced an agreement with the respective Dominion Governments for the purchase of all Australian and New Zealand clip wools for the period of the war and one clip thereafter. (Cable, Joseph C. Kennedy, Ambassador to Great Britain, to U. S. Department of Agriculture, Oct. 14, 1939).
1940		
January	23	Bureau of the Census reported year-end stocks of apparel wool in the U. S. in 1939 were the smallest for 6 years of record.
March	5	The Agricultural Marketing Service, USDA, reported that shorn-wool production was 5 million pounds larger in 1939 than in 1938.

DATE		EVENTS
May	28	The President announced that he was reviving the Advisory Commission to the Council of National Defense, to assist him in "the co-ordination of industries and resources for the national security and welfare." (Civilian Production Administration, Minutes of Advisory Commission to the Council of National Defense, Washington, 1946).
June	4	The Army announced large contracts for wool blankets, overcoating, serge and worsted shirting. It was estimated that these orders would require about 50 million pounds of grease wool all of which must be of domestic origin. (U.S. Bureau of Agricultural Economics, Wool Situation, June and July 1940).
June	17	France capitulated to Germany.
July		Most of Continental Europe was now included in the British Blockade (U.S. Bureau of Agricultural Economics, Wool Situation, July 1940).
August	2	Domestic shorn-wool production in 1940 was reported by the Department of Agriculture to be 3 percent higher than in 1939, and the largest on record.
August	15	A plan to obtain a strategic reserve supply of 250 million pounds of Australian wool was directed to the Reconstruction Finance Corporation by the Advisory Commission to the Council of National Defense. (U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings .... Investigation of .... Wool, Part 6, p. 1093).
August (late		Great Britain arranged to purchase all of the South African export wool clip for the duration of the war and one year thereafter. (U.S. Bureau of Agricultural Economics, Wool Situation, September 1940).

DATE	EVENTS
September 16	The President approved the Selective Service and Training Act and an act authorizing the Reconstruction Finance Corporation to make loans for the development of stockpiles of strategic and critical materials (54 Stat. 885, 897).
October	Domestic wool prices were now appreciably above comparable foreign-wool prices when these were adjusted to domestic standards.
October 30	National Defense Advisory Commission unanimously agreed continuous attention would be given to the wool-price situation and every immediate effort made to avoid the spiralling of prices. (Civilian Production Administration, Minutes of the Advisory Commission to the Council of National Defense, Washington, 1946).
November	The "Buy American" Act of 1933 was modified by Administrative Order to permit the use of foreign wool in Government contracts, as domestic-wool supplies were found to be insufficient. (U.S. Tariff Commission, Raw Wool, p. 11, Washington, December 1943).
December 10	The first emergency wool stockpile agreement between the United States and the United Kingdom was concluded. It provided that a strategic reserve of 250 millions pounds of Australian wool was to be established in the United States. The wool was to remain under British ownership. (Republished on Page 1107 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings ....Investigation of ....Wool, Part 6).
1941	
March 11	"Lend-Lease" Act approved by the President.

DATE		EVENT
March		Price premiums on wool textiles made from domestic wools were permitted by the War Department to encourage high domestic-wool production. (U. S. Tariff Commission, Raw Wool, Washington, December 1943).
April	11	Office of Price Administration and Civilian Supply established by Executive order.
	25	Bureau of the Census reported apparel-wool stocks on April 1 had totaled 199 million pounds, an amount equivalent to 3-months mill supply.
June	1	The United Kingdom established a system of civilian-clothes rationing.
July	23	In a letter to the Defense Supplies Corporation the Office of Production Management recommended that the Government's Emergency wool stockpile be increased to 1 billion pounds. (Reproduced in U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings ....Investigation of ...Wool, Part 6, p. 1109).
August	2	Bureau of the Census announced that domestic-wool consumption for the 1940-41 fiscal year totaled 863 million pounds, grease basis. This was the largest annual consumption on record at that time.
August	1	The Agricultural Marketing Service, U. S. Department of Agriculture, estimated domestic shorn-wool production at 400 million pounds, 3 percent larger than in 1939.

Date	EVENT
October 18	The Defense Supplies Corporation announced the outright purchase of 176 million pounds from the British-owned emergency wool stockpile. The DSC began to accept British-owned South African wool for storage. These actions were preliminary to later agreements between the two Governments. (U. S. Federal Loan Agency, press release, Oct. 18, 1941).
November 10	Under PS-39, the OPA set the maximum price for manufacturers of upholstery fabrics at 105 percent of their highest prices September 10, 1941, or in their absence the highest prices within the 60-day period ending that date. (6FR 575).

War Mobilization, December 1941-June 1943

More extensive Government controls were imposed on the Nation's economy during this period. Early Japanese advances threatened to cut the United States off from the wool supplies of New Zealand and Australia.

The War Production Board severely limited the production of civilian fabrics and restricted the design of wool apparel. OPA was active in fixing maximum prices on raw wool and on wool manufactures. Control of the importation of all commodities was taken over by WPB. The emergency stockpiling measures, started in the prior period, were continued. Extremely large military orders for wool fabrics were placed. Production of wool textiles for civilian use dropped to a very low level.

Toward the end of this period, some readjustment in programs took place. American toops had taken Guadalcanal and were making headway in New Guinea, and the fear that the Japanese might invade Australia was dispelled. Consequently, very little wool was brought in for stockpiling during 1943 and there was some liberalization of wool quotas for civilian use.

DATE	EVENT
1941	
December 7	Japanese attacked Pearl Harbor.
8	Office of Price Administration announced it would impose maximum prices on wool at the December 6th price level. Price regulation 58 was issued on December 17. (6FR 6551).
12	Supply Priority and Allocations Board agreed to (1) increase domestic-wool production and develop new sources of imports, (2) increase the quantity under Government control, and (3) decrease civilian consumption through limitation and curtailment orders. (Civilian Production Administration, Minutes of the Supplies Priorities and Allocations Board, Washington, 1946).
16	Manufacturers maximum prices for wool floor coverings were frozen at the prices listed on October 13, 1941 under PS-57 (6 FR 6459).
24	Office of Production Management issued Priority Regulation, No. 1, effective immediately. This was a general industry mobilization order that also covered wool textile and apparel manufacture (7FR 561).
24	Maximum prices for tanned shearlings were set by OPA under PS-61 "Leather." (6FR 6739).
1942	
January 3	WPB issued the Wool Conservation Order, M-73. (7FR 2708).
30	Emergency Price Control Act became law.
February 23	OPA issued maximum Price Regulation 106, "Domestic Shorn Wool." (7FR 1648).
25	Effective April 5, the civilian wool consumption quotas under WPB Order M-73 were reduced for the second quarter to 20 percent on the worsted system, 10 percent on the woolen system, and 25 percent on the carpet system of the basic quarterly poundage. The order

DATE		EVENT
		also was amended to provide a bonus for use of coarse wools and to prohibit the manufacture of blankets containing more than 80 percent wool. (7FR 1570).
February	28	WPB issued the General Shearling Conservation Order, M-94. (7FR 1024).
March	2	WPB under Order M-73A imposed numerous restrictions on the use of wool cloth in the manufacture of men's and boy's clothing. (7FR 1670).
	9	Shearlings were exempted from the provisions of PS-61 by amendment 1 of that order. (7FR 1837).
	10	WPB under Order M-87 prohibited the sale and use of Olive Drab Wool waste, clips, and rags, except in military orders. (7FR 1854). The order was revoked on June 7, 1943. (8FR 7551).
	24	Two additional agreements concerning the emergency storage of wool in the United States were concluded between the United States and Great Britain. The agreements provided for (1) the purchase by the U. S. of the wools covered in the agreement of December 10, 1940, and (2) the storage of British-owned South African wools in this country. (Reproduced on pages 1113-4 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings .... Investigation of .....Wool, Part 6).
	27	OPA, under RPS-58, established maximum prices for domestic pulled wool, domestic scoured shorn wools, all imported wools, wool tops and noils, and wool yarns. (7FR 1316).
April	10	WPB, under Order L-85, imposed numerous restrictions on the manufacture of feminine apparel. (7FR 2722).

DATE		EVENT
April	17	Under Amendment 4 to M-73, use of wool in the manufacture of floor coverings and drapery and upholstery fabrics was prohibited except for governmental orders (7FR 2936).
	24	OPA established maximum prices for raw and processed-wool waste materials, under MPR 123. These had previously been covered in RPS 58. (7FR 3088).
	27	Maximum prices for "Finished Piece Goods" (MPR 127) and "Processing Piece Goods' (MPR 128) were issued by OPA. Under these regulations processors' prices were based on actual costs, and percentage mark-ups were specified for jobbers, wholesalers, and retailers. (7FR 3117-9).
	28	General maximum price regulation was issued by OPA. It applied to wholesale and retail prices of finished wool products, and to other commodities not covered by prior price regulations.
May	23	OPA fixed maximum prices for women's, girls', and children's outerwear garments, under MPR 153 effective May 29, 1942. (7FR 3901).
June	2	Through amendment to General Import Order M-63, wool imports were made subject to that order. (7FR 4198).
	3	OPA imposed maximum prices on textiles apparel and related articles for military purposes, at the request of the Army and Navy, under MPR 157. (7FR 4273).
	11	WPB extended the civilian wool consumption quotas for 4 weeks from July 5, 1942, at approximately the same rate as in the preceding period.

DATE		EVENT
June	16	OPA placed ceiling prices on woolen and worsted civilian-apparel fabrics, under MPR 163. (7FR 4513).
	29	OPA, under MPR 172, permitted service charges to contractors in the apparel industry which would yield them the same percentage margin over direct labor cost which they had had in March 1942. (7FR 4882).
	30	WPB issued supplemental Order M-63B temporarily exempting the finer grades of apparel wool and shearlings from import order M-63 until August 16, 1942. (7FR 4881). This exemption was later extended to September 30, 1942. (7FR 6672).
July	1	The selling price of Australian wool to foreign buyers was raised 12 percent, effective this date. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, July 1942).
	1	WPB issued civilian wool consumption quotas for the period August 3, 1942, to January 31, 1943. The quotas for unrestricted use were reduced but additional quotas for blending were provided. (For detail see table 6). (7FR 5020).
	6	OPA placed men's and boys' tailored clothing under ceiling. The order covered manufacturing, wholesaling, and retailing. (7FR 5182).
	7	The United States agreed to allow the British Government to ship and store in this country, on its own account, Australian and New Zealand wools. (Agreement reproduced on page 1115 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings ... Investigation of ....Wool, Part 6).
	8	OPA replaced RPS 39 issued on February 21, 1942 (7FR 1279) with MPR 39, "Woven Decorative Fabrics." (7FR 5243).

DATE		EVENT
August	4	The Army Quartermaster Corps announced that it would order a large quantity of fabrics, made entirely of domestic wool, ahead of schedule to provide an outlet for remaining supplies of the 1942 domestic clip. (U. S. War Department, Press Release, Aug. 4, 1942).
	14	Domestic-wool production in 1942 was estimated at 392 million pounds by the Department of Agriculture-slightly larger than in 1941.
	26	Retail and wholesale prices for fall and winter seasonal commodities were brought under price control by OPA. (7FR 6789).
September	2	OPA made substantial changes to MPR 163, Woolen and Worsted Civilian Apparel items, by issuance of Amendment 4, effective September 8. (7FR 6973).
	15	OPA froze manufacturers' maximum prices for fall and winter knitted underwear to the highest price in the base period, July 15, 1941 to February 10, 1942. (7FR 7318).
October	26	WPB issued L-224 in place of M-73A. It provided similar regulation of the wool cloth used in men's and boys' clothing. (7FR 8648).
November	12-15	American forces landed on Guadalcanal.
November	19	MPR-273 was issued by OPA. This regulation established maximum prices on designated knitted garments where carded yarns replaced combed yarns or where other changes had been made. (7FR 9637).

DATE	EVENT
November 20	An international agreement with Uruguay was announced by the State Department. To bolster the economy of that country the United States agreed to buy the 1941-42 wool carry-over in that country and to underwrite a part of the 1942-43 clip. (Reproduced on Page 1123 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings....Investigation of ....Wool, Part 6).
November	The Price Administrator (OPA) in a letter to the Office of Economic Stabilization scheduled textile and apparel rationing programs to start in April 1943. (Wilfred Carsel, Office of Temporary Controls, Wartime Apparel Price Control, p. 69, Washington, 1947).
December 3	The selling price of Australian wool in foreign markets was reduced 6-1/2 percent, effective this date. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, December 1942).
10	The WPB raised the civilian quotas for the worsted system for the period ending January 31, 1943, and announced the new quotas for the following 6 months. (7FR 10330).
12	MPR-153 establishing maximum prices for women's, girls' and children's outerwear garments was replaced by MPR-287. The new regulation applied to manufacturers only, was more detailed, and introduced certain refinements in pricings. (7FR 10,460).
1943	
February 18	MPR-330 was issued fixing wholesalers' and retailers' prices for women's, girls' and children's outerwear garments. It applied fall 1941 margins to current costs. (8FR 2209).

DATE		EVENT
February	19	WPB made substantial increases in the announced civilian quotas for the 6 month period starting February 1, 1943. (8FR 2265).
March	1	Trans-shipment agreements of March 24, 1942, and July 7, 1942, between Great Britain and the United States were consolidated into a new combined agreement. (Reproduced on Page 1119 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings ....Investigation of....Wool, Part 6).
April	3	The Department of Agriculture announced that the Commodity Credit Corporation would purchase the domestic wool clip at current ceiling prices. (U. S. Department of Agriculture, Press Release, Apr. 3, 1943).
April	25	Food Distribution Order No. 50, became effective this date. It required that all wool not yet sold must be sold to the Commodity Credit Corporation. (U. S. Department of Agriculture, Press Release, Apr. 17, 1943).
May	25	Chief of Clothing and Leather Division, WPB, stated that the inventory of clothing was now generous and that there was no immediate need for the rationing of clothes. Civilian Production Administration, Minutes of the War Production Board, Washington, 1946).
June	8	WPB made further substantial increases in civilian quotas for the 2nd of 1943, and carried these into the 3rd and 4th quarters. Limitations on use of wool in blankets and lounging robes were removed. (8FR 7644).
July	12	OPA appropriation act for 1944 passed. It prohibited OPA from imposing grade labelling or establishing quality standards not already in general use. (57 Stat. 524).

Middle War Period, July 1943-September 1944

As contrasted with the previous period, this was a period during which military advances were made on all war fronts. The general pattern of mobilization of the Nation's industry and manpower had been set and was partially achieved. The Nation was approaching its wartime production potential.

There was a comparative lull in military procurements within the woolen and worsted field and a relaxation on Government control of wool put-in-process. By fall 1943, the heavy initial requirements for equipment of men coming into the services and for stocking depots overseas had been met. Mill consumption of apparel wool remained about as high as in 1942, but a larger proportion was processed into civilian fabrics. Wool imports were large and provided a continuous supply of raw wool. Decision was reached to liquidate the Government's emergency wool reserve and a large part of it was disposed of during this period.

Manpower available to the woolen and worsted mills was being reduced by Selective Service program and by the attractive wages of war industry. This paved the way for the scarity of skilled labor in the mills which developed in the period following.

The Commodity Credit Corporation purchased the domestic clip at the maximum prices established on domestic raw wools by the OPA as the former support provided by military purchases had not been satisfactory to mills, to the wool growers, or to the Armed Services.

DATE		EVENT
1943		
July	26	Office of Price Administration set manufacturers' prices for certain fall and winter outerwear, under MPR 438. The regulation was designed to eliminate difficulties experienced under GMPR in pricing garments when no sales had been made in the base period. Ceiling price determinations were based on current direct costs and 1941 gross margins. (8FR 10503).
August	13	Domestic shorn-wool production in 1943 estimated to be 4 percent smaller than in 1942 by the Department of Agriculture.
September	1	Further modifications in import restrictions on wool under M-63 was made by War Production Board.

DATE	EVENT
September	Foreign Economic Administration recommended that importation of wool for stockpiling purposes be stopped. (Unpublished data in Wool Unit files, Division of Statistical and Historical Research, Bureau of Agricultural Economics, U. S. Department of Agriculture.)
September 18	Bureau of Agricultural Economics forecast that shorn-wool production in 1944 might be slightly smaller than in 1943. (U.S. Bureau of Agricultural Economics, Livestock and Wool Situation, September 1943).
November	A complete clothes rationing program was submitted to the Deputy Administrator on rationing. (Wilfred Carsel, Office of Temporary Controls, Wartime Apparel Price Control, p. 88, Washington, 1947).
November 19	All civilian quota limitations on wool were removed from M-73 by the War Production Board. (8FR 15780).
December	WPB recommended that foreign-wool stockpile be liquidated. (Statement of General Counsel of Reconstruction Finance Corporation, p. 1101 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings...Investigation of....Wool, Part 6).
1944	
January 12	Department of Commerce announced that stocks of foreign wool held by the U. S. would be sold in the near future. (U. S. Department of Commerce, Press Release, January 12, 1944).
January 26	War Food Administration announced the continuance of the CCC price-support program, subject to Congressional Authorization. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, February 1944).

DATE		EVENT
February	17	Public auction of DSC wools held at Boston. (Ibid.)
June	6	D-Day. Allies landed in Normandy.
June		The first of four exchange transactions was concluded with the British by the DSC. Through these exchanges the DSC replaced some of its existing holdings with wools more suited to the domestic market. (Statement of General Counsel of Reconstruction Finance Corporation, p. 1101 of U. S. Congress, 79th, 1st Sess., Senate, Special Committee to Investigate Wool, Hearings ...Investigation of ...Wool, Part 6).
July	24	All restrictions on use of imported wool under M-63 were removed by WPB. (9FR 8980).

The Final Drive, October 1944-August 1945

Large-scale military offensives were in progress both in Europe and in the Pacific as this period opened. The Nation had already achieved what proved to be its fullest wartime production. The allies were able to force complete capitulation of the enemies during the period.

The offensives had caused some acceleration in military procurements of wool textiles during 1944. Following the temporary reversal of our forces during the "Battle of the Bulge", in late 1944, and the hard fighting at Iwo Jima and Okinawa, orders were greatly expanded and delivery dates were moved up. Practically all mill facilities were required for the fulfillment of these orders and many new control orders were issued. The limitation on output of the woolen and worsted industry were primarily caused by insufficient skilled help, particularly in the worsted combing branch of the industry. Production of civilian-apparel fabrics was greatly curtailed as the deliveries on Government orders occupied most of the mill capacity almost to VJ-Day.

But wool supplies in hand and in prospect were plentiful. Imports continued at record levels. The CCC bought the 1944 and 1945 domestic-wool clips. Production of domestic wool had been dropping off rapidly since 1942, partly because of the difficulty

in finding enough herders. Sales of domestic wool had not been aggressively pressed by the CCC and their wool stocks on hand at the end of this period were 400 million pounds, grease basis.

DATE	EVENT
1944	
October	The DSC permitted wool that had been offered at auction and remained unsold to be sold privately by brokers at the "upset prices." (Statement of General Counsel, Reconstruction Finance Corporation, p. 1101 of U. S. Con gress, 79th, 1st Sess. Senate, Special Committee to Investigate Wool, Hearings...Investigation of...Wool, Part 6).
October	The Army placed unexpectedly large orders with mills. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, November 1944).
November 9	Price Order So 99, "Specified Knitted Underwear Garments Manufactured pursuant to WPB Direction" was issued by OPA. It was the first of a series of orders permitting certain price adjustments under the joint OPA-WPB Low Cost Clothing Program. (9FR 13521).
December 14	The WPB, through an amendment to Direction 3 of M-73, froze all worsted facilities to the production of rated orders except for top combed exclusively of carpet wool or mohair. (9FR 14673).
December 16	The German Army launches major counter-offensive through the Ardennes.
21	The CCC announced that it would buy the 1945 domestic wool clip under essentially the same conditions as in 1944. (U. S. Department of Agriculture, press release, Dec. 21, 1944).
1945	
January 16	OPA removed the pricing of women's, misses' and children's underwear, nightwear, and negligee garments from the provisions of GMPR and placed

DATE	EVENT
	them in a separate order, MPR 570. The freeze-pricing technique was superseded by a cost-plus market type of control. (10FR 655).
January 29	OPA issued SR 14E to serve as a repository for modifications of maximum prices for commodities and services otherwise governed by GMPR (10FR 1183).
February 1	OPA issued MPR 752, "Manufacturers Prices for Certain Fall and Winter Outerwear." It was a cost-plus regulation designed to meet industry objections to MPR 438. (10FR 1433).
17	U. S. Marines invaded Iwo Jima.
19	General Preference Order M-388 was issued by WPB. It required that 80 percent of mill output of civilian wool fabrics and all worsted fabrics available for civilian use be set aside for use in the joint OPA-WPB low-cost clothing program. (10FR 2000).
27	OPA issued MPR 578, "Maximum Prices for Certain Garments Produced with WPB Priorities Assistance." It provided dollar-and-cent prices at wholesale and retail levels and was specifically designed to see that fabrics made available to manufacturers of essential civilian apparel under WPB set asides reached consumers at low prices. (10FR 2388).
March 20	OPA issued MPR 580, "Retail Ceiling Prices for Certain Apparel and House Furnishings." It froze retail mark-ups as of March 19, 1945. (10FR 3015).
April 1	U. S. Army landed on Okinawa.
19	In the statement of considerations to SO-108 the OPA revealed that WPB had estimated there would be 56 percent less wool textiles available for civilian clothing in 1945 than in 1944. The order itself established a new type of control of manufacturers' prices for most items of apparel. (10FR 4336).
April (late)	Army procurement policy was reviewed, based on the expectation that cessation of hostilities in

DATE		EVENT
		Europe was imminent. It was found necessary to continue the current rate of deliveries in most cases through the third quarter of the year. (Glen F. Brown, Office of the Quartermaster General, Quartermaster Purchases of Wool Cloths and Blankets For World War II, Feb. 6, 1946).
May	8	VE-Day.
	10	DSC sold the remainder of its wool stocks to Treasury Procurement for delivery under Lend-Lease to France, Belgium, and Holland. (Bureau of Agricultural Economics, Livestock and Wool Situation, May 1945).
June	26	WPB report of this date indicated there might be an acute shortage of wool garments and blankets in the civilian economy the following winter because military requirements for wool textiles would not be lower until the fourth quarter of the year. (Civilian Production Administration, Minutes of the War Production Board, Washington, 1946).
August	15	VJ-Day.
	29	WFO-50, requiring all domestic wool to be sold to the CCC, was terminated by the Department of Agriculture. Support program was continued on a voluntary basis. (U. S. Department of Agriculture, Order Restricting Sale of Wool (WFO-50) Terminated, press release, Aug. 29, 1945).

Reconversion, September 1945-December 1946

The period opened with large scale cancellations of military contracts following the sudden termination of the war. Mills rescheduled their work quickly, and the shift to production for civilian use was nearing completion by the end of 1945. The demand for apparel goods by returning verterans and by consumers with good in-

comes scon depleted wholesale and retail stocks. Stocks were already small because of reduced production of civilian fabrics in the first half of 1945. Employment in woolen and worsted mills increased somewhat, as workers became more plentiful. Mill output rose to new heights, surpassing even wartime records. By the end of this period most of the more urgent demands for apparel had been met. There was a growing reaction to all Government controls by industry and wool controls, along with controls generally, were terminated during the summer and fall of 1946.

Wool production declined during 1946 for the fourth successive year. It reached its lowest figure since 1927. A reduction in sheep numbers seemed to be caused by the accelerated rise in operating costs, the higher returns in alternative competing enterprises (especially cattle), and an unfavorable outlook for wool prices. The unfavorable outlook had developed because of the large wool stock accumulations both here and abroad and the uncertainties regarding the continuance of the CCC wool-purchase program.

The CCC wool-purchase program was again extended by the Department of Agriculture, first to November 1, 1946 and finally to April 15, 1947. The CCC lowered its sales prices on wool an average of 14 percent by two successive reductions, (one in late 1945 and the other in early 1946), in order to increase sales and reduce its wool stocks. The increased sales were not large until the fall of 1946 when there was a general advance in wool prices in foreign markets. CCC again ran into difficulty in late 1946 and early 1947 with its selling price schedules, as the wool parity index continued to rise. CCC was forced to make several upward adjustments to keep from selling wool below parity and, at the end of March 1947, selling prices were about as high as they had been before the first downward adjustments were made in late 1945.

During the war period, world consumption of apparel wool had not kept pace with world production because of restrictions in world trade. Large world surplus stocks had accumulated. Stocks owned by the British Government on July 1, 1945, totaled 3.2 billion pounds actual weight -- more than a year's production. With some resumption of world trade after VJ-Day, substantial reductions in these stocks were made. Rehabilitation of the wool-textile industry in the countries of western Europe, which had been a large consumer of wool in prewar times, made considerable progress, and in some countries the output of wool textiles had reached prewar levels by the end of 1946.

DATE	EVENT
September 1	The War Department terminated remaining Army contracts for wool textiles then outstanding. (Glen F. Brown, Office of the Quartermaster General, Quartermaster Purchases of Wool Cloths and Blankets For World War II, Feb. 6, 1946).
5	Wool was removed from General Import Order M-63 by the War Production Board. (10FR 11384).
8	The United Kingdom, Australia, New Zealand, and South Africa agreed to form a joint organization to dispose of wartime stocks of British Empire wool and support the price of current clips during the period of disposal. (U. S. Department of Agriculture, Joint Organization for Dominion Wool Disposal, press release, September 8, 1945). The transfer of stocks was effective July 31, 1945. (United Kingdom-Dominions Wool Disposals Ltd., London, "Stocks of Dominions Wool held by the Joint Organization at 30/6/46").
October 17	Office of Price Administration issued SO-137, "Adjustment of Manufacturers Prices for Certain Knitted Garments." (10FR 12986).
19	Bureau of Agricultural Economics forecast that the decline in wool production which began in 1943 would continue into 1946. Because of the heavy slaughter of mature sheep, sheep numbers January 1, 1946, would be materially smaller than a year earlier. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, October 1945).
November 1	Selling prices of Australian wools in foreign markets were changed, effective this date. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, November 1945, page 19).
13	OPA issued SO-139, "Adjusted Maximum prices for Certain Low-priced Commodities." (10FR 14143)

DATE	EVENT
November 27	CCC lowered the selling prices of its wools to encourage their sale. (U. S. Department of Agriculture, USDA Reduces Domestic Wool Sales Prices, press release, Nov. 27, 1945).
1946	
January 22	Department of Agriculture announced it had extended its price-support program to November 1, 1946. (U. S. Department of Agriculture, Extension of 1945 Wool Purchase Program, press release, Jan. 27, 1946).
February 22	CCC made further reductions in the sales prices of their wools. (U. S. Department of Agriculture, Prices of Government-owned Wool Further Reduced, press release, February 21, 1946).
March 11	OPA issued MPR-607, a cost-plus regulation entitled, "Manufacturers Prices for Men's and Boy's Tailored Clothing and Related Garments." (11FR 2693).
12	The President forwarded a proposed wool program to Senator O'Mahoney. (Reprinted in Hearings on S. 2033, U. S. Congress 79th, 2nd Sess., Senate, Committee on Agriculture and Forestry, P. 21).
29	OPA issued SO-154, "Adjusted Maximum Prices for Certain Knitted Commodities." The adjustments were permitted because of increases in direct labor costs. (11FR 3356).
April 30	CCC monthly wool stocks report indicated that it held 460 million pounds of domestic wool as of April 1, 1946.
June 30	Authority for price control expired.
30	United Kingdom-Dominion Wool Disposals, Ltd., discontinued sales of wool, as announced, in preparation for the start of auctions in September.

DATE	EVENT
July 25	The Price Control Extension Act was approved by the President. It provided for numerous changes. It prohibited the OPA from placing limitations on sales based on previous maximum average prices: for agricultural commodities, it required that they be certified to be in "short supply;" for continuation of price control. (U. S. Bureau of Agricultural Economics, Livestock and Wool Situation, August 1946).
August 2	79th Congress adjourned without taking action on proposed wool legislation.
17	The U. S. Department of Agriculture announced the extension of its price support program until April 15, 1947.
September 1	Domestic wool was not certified to be in "short supply" by the Secretary of Agriculture. Consequently, maximum price limitations on it (MPR 106 and RPS 58) were removed by the OPA. (U. S. Department of Agriculture, Sept. 1 Short Supply Commodities Announced, press release, Aug. 31, 1946).
9	First postwar wool auctions opened in London. Prices at this auction increased 10-15 percent above previous issue prices. (Kreglinger and and Fernau Market Report, London, Sept. 13, 1946).
30	Schedule K of M-328B issued by the War Production Board to replace M-388. (11FR 11287).
October 4	U. S. Bureau of Agricultural Economics, forecast decline of 5 to 7 percent in 1947 shorn-wool production. (Livestock and Wool Situation, 1947 Outlook issue).
9	The first in a series of upward adjustments in selling prices for CCC wools effective Oct. 14 announced by the Department of Agriculture to bring prices in line with parity. (U. S. Department of Agriculture, USDA announces Upward Adjustment in Wool Selling Prices, press release, October 8, 1946).

DATE		EVENT
November	9	All price ceilings still in effect removed by Executive Order 9801.
1947		
April	15	The Department of Agriculture allowed the wool price-support program to expire.
June	26	The President vetoed S. 814, "The Wool Act of 1947," (U. S. Congress, 80th, 1st Sess., Senate, Document No. 68, The Wool Act of 1947 -- Veto Message, June 26, 1947).
August	5	"An Act to Provide Support for Wool and for Other Purposes," approved by the President. (Public Law 360, 80th Congress, 1st Session, Chapter 488, S. 1498).

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